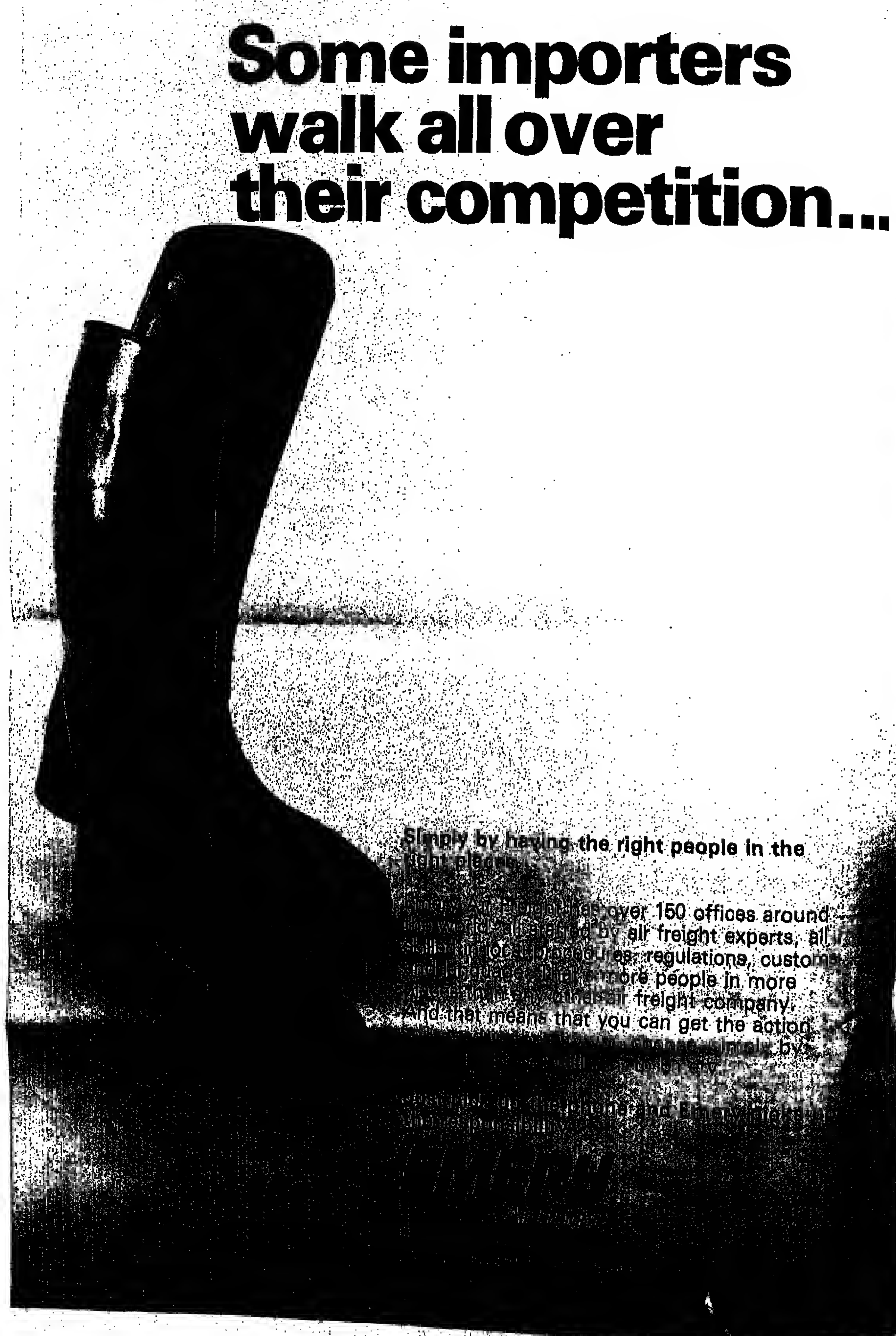

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NATIONAL BUSINESS REVIEW

Incorporating Admark

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Inside

REM Publishing and *NBR*: judge lifts injunction gag

THE injunction which has gagged *NBR* since March 5th 1980 was rescinded in the Auckland Supreme Court last Thursday when his Honour Mr Justice Barker delivered a reserved judgement.

The *ex parte* injunction had restrained *NBR* from publishing five specific classes of statements about the Auckland publishing company REM Publishing and its proprietors, Brian McSweeney and Terrance Arthur Lambert.

In addition it had enjoined *NBR* from publishing "any other material defamatory of the plaintiffs".

The court decision reviews the legal authorities in New Zealand, Australia and Great Britain governing interim injunctions, and finds that it is theoretically possible in New Zealand law for an injunction to be issued prior to trial of a libel case.

[illegible] Smellie, QC, appearing for both Fourth Estate Newspapers Ltd as publishers of *NBR* and for the paper's Auckland reporter, Mr Warren Berryman, argued that there was no jurisdiction to issue such an injunction.

Drawing on early British authority and the statute which sets up the New Zealand Supreme Court (from April 1 1980 renamed the High Court), His Honour Mr Justice Barker said: "I think that section 16 [of the Judicature Act 1980) is sufficiently wide to permit the court ... to restrain, in appropriate cases, the publication of a threatened libel.

"However, as will appear later, the instances where that jurisdiction should be exercised are very rare indeed," the judge continued in his decision.

The judge then turned to consider the circumstances of the case.

On March 4 1980, Mr Berryman in the course of his work had put a series of written questions to Messrs McSweeney and Lambert.

On the morning of March 5, 1980, they issued a writ claiming $40,000 damages against each of Mr Berryman and Fourth Estate. The writ alleged that they had been defamed by statements in an earlier *NBR* article by Mr Berryman.

The article reported businessmen as saying that they purchased advertising space in a watersiders' magazine to buy industrial peace. Berryman also reported a hint from Lambert that if *NBR* published an unfavourable story about the magazine, then industrial trouble might put *NBR* out of business.

In an affidavit filed in the injunction proceedings, and in a statement of defence filed in the defamation action, both Berryman and *NBR* stated that such publications were true, and in the alternative and fair comment.

The injunction, when in effect, prohibited any repetition of these statement, or any suggestion that advertisements had appeared in the plaintiffs' publications without authority from advertisers.

Another prohibited statement was that advertisers in such publications had been misled over the application of monies received for advertisments in the plaintiffs' publications.

Berryman deposed in his affidavit that these and other matters could be justified in any trial relating to them, or could be defended on other grounds.

Counsel for the plaintiffs, while conceding that the injunction preventing publication of "any other matter" could not be sustained, argued that the balance of the orders should remain.

His Honour Mr Justice Barker held that it was clear on the overseas decisions that the injunctions could not stand, and dissolved all of them.

In addition, he awarded substantial costs to the defendants and recorded their right to move for an award of damages against the plaintiffs in respect of the grant of the initial injunction.

NBR's counsel Mr Smellie QC had asked for a high award of costs, pointing out that unless such an award were made the injunction procedure could be used to muzzle a free press.

He also pointed out that the [illegible] had been obtained [illegible] hout drawing the judge's [illegible] ention to any of the relevant [illegible] uthorities or even the general [illegible] rences in the leading text [illegible] the topic.

[illegible] n making his award of [illegible] ts, His Honour said that [illegible] case was the first time an [illegible] ication for an interim in[illegible] tion in a defamation case [illegible] en the subject of legal [illegible] nent in this country.

[illegible] ccordingly, now that the [illegible] 's attitude to such in[illegible] ons is known, there will be [illegible] greater justification in future cases for the plea Mr Smellie now makes", his Honour said.

"Nevertheless, I think that the defendants are entitled to [illegible] sts which I fix at $600 and [illegible] ursements," he continued.

The plaintiffs have a right of appeal against the decision

Inquiries will continue

HIS Honour Mr Justice Barker's decision now makes it clear that *NBR* is free to continue its enquiries into the sales activities of REM publishing and its principals, Terrance Arthur Lambert and Brian McSweeney.

Auckland journalist Warren Berryman had put to these men a range of questions arising out of his enquiries. They will now be given a further opportunity to make any answer they may wish prior to publication.

[illegible]

publications produced by REM, which have been and are the basis of a continuing campaign for advertising directed at individual New Zealand businesses.

Meanwhile we consider that the important point of press freedom has now been made clear. *NBR's* procedure and enquiries [illegible] proper and the injunc[illegible] which stopped us should n[illegible] have been granted.

We certainly trust that [illegible] Honour's judgement will ensure that no such gag to the [illegible]

Devco's difficulties

FREEZING companies are resisting Devco plans to muster its own lamb suppliers for the profitable North American market.

The Meat Export Development Company (Devco), jointly owned by the Meat Board and most freezing companies, has been the sole supplier of New Zealand lamb to Canada and the United States since 1960.

Nearly 2 million carcases, cut into consumer packs, were sold last year and Devco hopes to pass 3 million in the early 1980s.

General Manager Peter Wakelin has been campaigning for sound planning to allow the company to maximise returns.

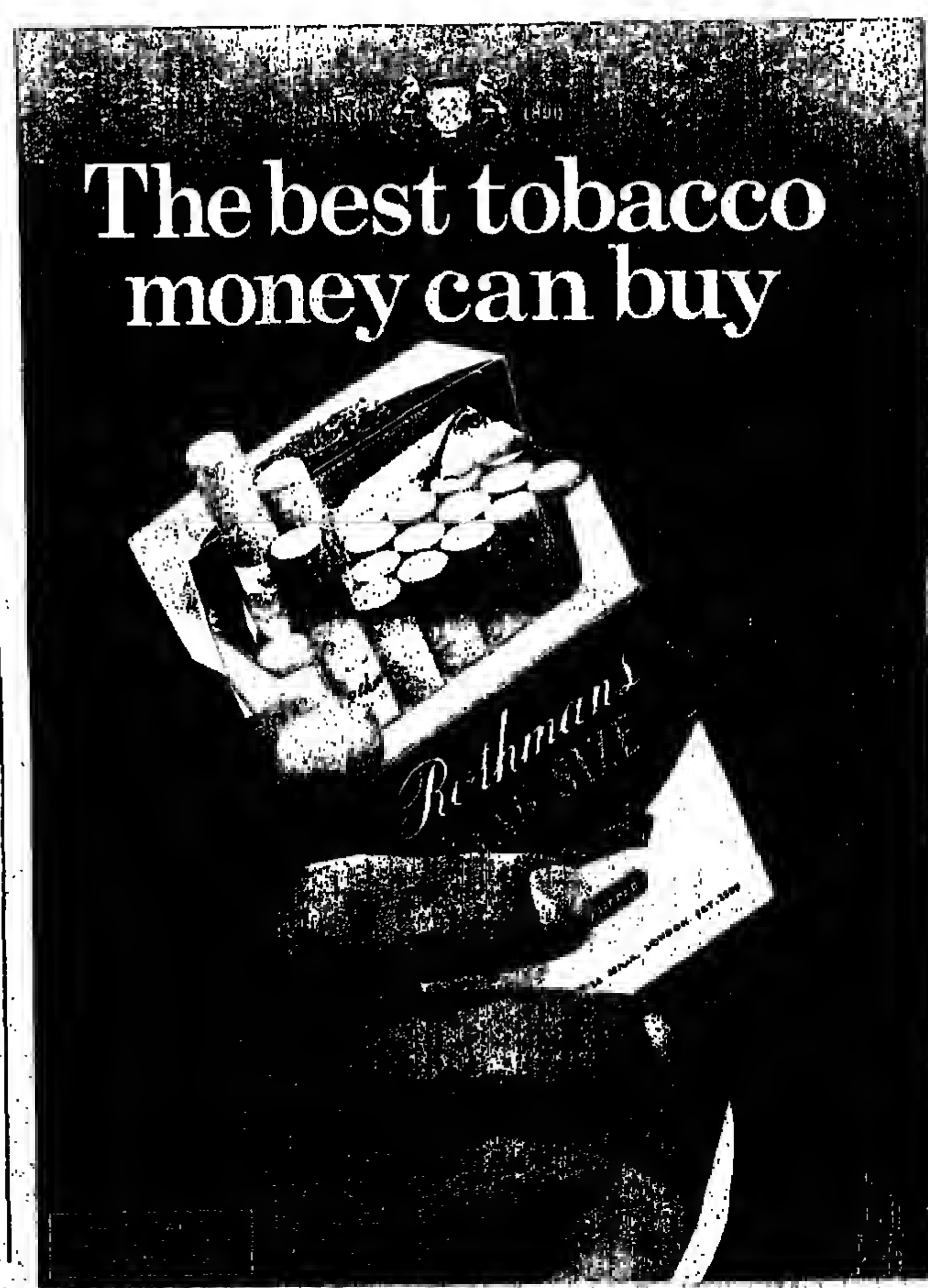
After the electoral meeting last week, a newly elected Meat Board chairman Adam Begg stressed the need for a "sound capital and shareholding base for Devco".

The company is grossly under-capitalised. Issued capital is 101,000 $2 shares paid up to 50c while retained earnings and reserves total $12.8 million.

A $13.9 million secured loan from the Bank of New Zealand makes up for the capital shortfall financing Devco's $58 million turnover.

A bonus issue is understood

Continued on page 5



The week

Kinleith mill re-opens

KINLEITH strikers unanimously voted to end the three-month strike and were to resume work oo Fridoy after the Government allowed the disputed $4.81 core rate to stand.

EEC egriculture ministers failed to agree on new farm prices. British Agriculture Minister Peler Walker refused to accept the higher prices that other members were seeking.

LIQUIFIED petroleum gas is in short supply. Production troubles are blomed – the Kopuni gas field which produces all LPG has reduced production in favour of Maui gas.

COMPANY cars should be taxable at 12 per cent of the value of the car, a commission of inquiry into taxing of travelling allowances recommended.

JUSTICE Minister Jim McLay will look for alternative ways to fund Grey Lynn's community law office. If these funds are not found be will reconsider granting a Government loan.

THE Three Mile Island nuclear power plant designer and supplier is being sued for $500 million by the owners. Clean-up work is expected to take several years and cost hundreds of millions of dollars.

PRIME Minister Rob Muldoon threatened to outlaw the Socialist Unity Party. The Labour Party and the Police Association strongly opposed such e move.

VISITING West Germen Defence Minister Dr Hens Apel talked with Prime Minister Roh Muldoon end Foreign Affairs Minister Brian Talboys and attended a meeting of the Defence Council during e three-day visit. Hc has beeo targeted as a potential West German leader with influences on New Zealand's future EEC eccess.

MOBIL has been asked by tbe Government to explore for oil in New Zealand.

A TOUGH British budget promised public speading cuts, a reduction in Government borrowing, tax increases and the doubling of health services charges.

A DECLINE in both production and employment was forecast by the Institute of Economic Research in its quarterly predictions of national income and expenditure. Inflation in the 1980-81 period is expected to remain high with an average domestic price rise of 15 per cent.

THE health effects of pesticides, including 245-T, will be looked into by a atanding sub-committee of egriculture and heelth experts.

EDWARD Kennedy had an impressive victory in the New York presideotial primary and defeated President Carter in Conoecticut. Ronald Reagao won the New York primery on the Republican ticket but lost to George Bush in Connecticut.

COPPER and silver prices followed gold's slide. The US dollar reached a nine-month high of nearly 1.90 West German marks before folling to 1.8930 marks.

GAS was found in Petrocorp's McKee No 1 well in Taranaki. The Government would not confirm whether the amount was of commercial quantities.

THE Clean Air Act needs amending to be enforceable, Health Minister George Gair seid. But there will be no action until next year.

THE New Zealend Insurence Company will call a speciel general meeting to discuss the company's investment in South Africa in response to mounting pressure from anti-epartheid groups who collected over a 100 signatures requesting tbe meeting.

PREVAILING wage ond salary rates went up by 14.4 per cent between the December 1978 and December 1979 quarters.

WAGE talks between Government, the FOL and the Employers' Federation are expected to be under wuy in time to offcet the next round of wage negotiations.

AN independent inquiry failed to find a link between the deaths of five Waikato University students and radintion from the University's biology isotope laboratory.

THE public inquiry into the fatal train crash in Wellington was delayed when a shunter driver was charged with manslaughter of the two killed.

INTERNAL Affairs Minister Allan Highet is reconsidering his decision to retire at the next General Election.

A CHRISTCHURCH garage owner's advertisement for "a keen Christian person" was referred to the Equal Opportunities Tribunal by the Human Rights Commission. Two Christchurch newspapers will be taken to the tribunal for publishing the advertisement.

COOK Strait ferries operated on a restricted nightime schedule after a failure to resolve the deck officers' dispute delaying 1400 wagons.

THE International Rugby Board readmitted South Africa.

DR John Darwin was appointed Government Statistician.

PAUL Cotton was appointed es New Zealand's next Ambassador to Greece.

OTAGO farmer Adam Begg looked certain to be the Meat Board's new chairman. He is deputy chairman of the board.

Business week

Andrews and Beaven Limited reported an unaudited tax-paid profit of $870,009 for the six months to December 31 ($646,608 for same period the previous year). An interim dividend of 6 per cent is payable on April 24.

Brierley Investments Limited lifted unaudited net profit by 49 per cent to $2,051,000 for the six months to December 31. An interim dividend of 9 per cent is payable on June 3

Centerbury Roller Flour Mills reported uneudited tax-paid profit of $30,919 for the half-yeor to June 30 1979 ($3,635 for same period previous year).

Freightway Holdings Limited reported uneudited tex-peid profit of $2,509,000 for the six months to December 31 ($1,966,000 for same period previous yeer). An interim dividend of 5c is peyeble on April 2.

Independent Broedcesting Co Ltd reported an eudited pre-tax profit of $191,020 for the year to January 31 ($153,600 for previous yeer). A final dividend of 9 per cent is payoble on Moy 15.

Jemes Smith Limited reported tax-paid trading income of $205,600 for the aix months to Jenuory 19, ($156,710 for same period last year). An interim dividend of 5 per cent is payable on April 22.

Lion Breweries will buy Broadland's Dominion Groups' 81 per cent shareholding in Diners Club NZ Ltd, subject to the approval of the Examiner of Commercial Practices.

Mainzeal Corporation Limited reported audited tax-paid profit of $354,000 for the six months to December 31 ($499,000 for same period previous year). An interim dividend of 7 per cent is payable on April 18.

New Zealand Refining Co Ltd reported unaudited tax-paid profit of $2,427,000 for the year ended December 31 ($1,732,000 for the previous year). A final dividend of 5 per cent is payable on May 26.

Trans-Ashburton Ltd reported unaudited tax-paid profit of $22,457 for the six months to December 31 (previously a loss of $[illegible]). An interim dividend of [illegible] per cent is payable May 31.

The week ahead

MONDAY: Commerce Commission trade practices hearing into liquor wholesaler Phillips and Pike Ltd's refusal to supply goods to [illegible] Wines and Spirits Ltd other than at the latter company's Westport store.

Seminar titled "Pacific Basin Co-operation – what it means for New Zealand", sponsored by Institute of International Affairs and [illegible] Advisory Committee [illegible] New Zealand Committee [illegible] Pacific Basin Economic Council at Parliament Buildings.

TUESDAY: New system of export incentives come into force.

Trade and Industry Minister Lance Adams-Schneider addresses Life Insurance Association on need for life investment in industry, James Cook Hotel, Wellington.

WEDNESDAY: Talk titled "System Reliability [illegible] Equipment Replacement" put on by the Wellington Branch of the Operational Research Society at BP Theatrette.

Exchange Rates

As at March 27, $NZ is worth:

Australia	[illegible]
Britain	[illegible]
Canada	[illegible]
Fiji	[illegible]
Japan	[illegible]
West Germany	[illegible]
USA	[illegible]
Austria	[illegible]
Belgium	[illegible]
China	[illegible]
Denmark	[illegible]
France	[illegible]
Greece	[illegible]
Hong Kong	[illegible]
India	[illegible]
Italy	[illegible]
Malaysia	[illegible]
Netherlands	[illegible]
New Caledonia & Tahiti	[illegible]
Norway	[illegible]
Pakistan	[illegible]
Papua-New Guinea	[illegible]
Portugal	[illegible]
Singapore	[illegible]
South Africa	[illegible]
Spain	[illegible]
Sri Lanka	[illegible]
Sweden	[illegible]
Switzerland	[illegible]
Western Samoa	.8853

The week

INL's exclusive programme access draws fire

THE sudden resignation last week of *Listener* editor Tony Reid prompted speculation that a row over publication of television and radio sports programmes in a new sports magazine venture was behind his decision to quit.

The new venture will hit New Zealand bookstall shelves on April 21. The weekly magazine *Radio and Television Sports Week* is being published by INL Print, part of the Independent Newspapers group.

It is understood that Reid's resignation was, in fact, for his publicly-stated reason of administrative overload and lack of writing opportunities.

But he did say, that the decision by his bosses at the Broadcasting Corporation to give the new magazine exclusive access to the programmes was "personally disappointing".

That disappointment is not hard to understand. The decision raises a host of questions that have, until now, gone largely unanswered.

The new magazine will be 72 pages, with the television programme section taking up some 16 pages.

The magazine will publish on Tuesdays and contain the television and radio programme information for the week storting from the Saturday after publication, much as the *Listener* does. All sports will be covered, including racing.

The broadcosting section will be published "for the Broadcasting Corporation of New Zealand" which will thus retoin its copyright.

The first print run will be 60,000. INL Print general manager Peter Chapple is hoping for net sales of 50,000 from that run at 50c retail per copy.

The concept of a sports magazine publishing details of broadcasting programmes originated from within the Broadcasting Corporation.

Chairman Ian Cross told *NBR* the idea had been "floated internally" for at least three years.

"We even considered publishing an alternotive publication of our own but decided thot the strain on our resources would be too great."

INL's decision to replace the ailing *Sports Digest* with the new publicotion prompted negotiations between the two groups which have resulted in an arrangement in which the BCNZ will collate the material and INL Print will publish it, surrounded by editorial and ads.

Ian Cross odmits his organisation will be looking at least to recover costs, including the probable salary and expenses of a full-time employee to undertake the "immense amount" of collation work.

The arrangement leaves the *Listener* and daily newspapers out in the cold. Instead, the BCNZ has thrown in its lot with a venture untested in commercial waters and without an established circulation.

Cross maintains that it would have been impossible for the *Listener* to contain a special sports programme section: "It would have made the *Listener* a completely unbalanced publication; it would hove chenged its character."

The *Listener* is one of the most successful ventures undertaken by the corporation. Its untaxed profits, arguably, could have gone a long way to easing the strain on resources in producing a special sports edition of the *Listener* or a new publication?

The BCNZ decision to join forces with INL must be worrying the *Listener* printers, Auckland's Wilson and Horton, which publish the *New Zealand Herald*.

The two Auckland publishers, Wilson and Horton and New Zeolond News (*Auckland Star*), have the only capacity in the country to print the *Listener*, which requires a turnaround of some 350,000 in three days.

The contract for printing the *Listener* is put out to tender every three yeors and the present contract has some time to run.

These aspects of the venture take on the appearonce of side-issues, however, compared with the central factor concerning publishers not invited into the arrangement.

What is worrying them is the concept of a public corporation making an exclusive deal with one private institution over whot, in effect, is publicy-owned information.

Can other bodies insist that they have access to the same information?

A case taken before the Commerce Commission under the restrictive trade practices section could well produce an interesting result.

And, if such a precedent can be set, will other fields such as the arts, movies and so on be availoble for prior publication?

The tidy arrangement that the two parties have made between themselves is thus far from cut ond dried. As one source close to the deal commented: "Certainly, it's a cosy arrangement. The question is: Why was the bloody thing made at all?"

Planners put forward radical import review

A TIMETABLE for radically changing all import restrictions over a suggested five-year timespan is recommended in a report published by the Planning Council.

The 124-page report, prepared by New Zealand economist Dr Peter Lloyd, now a senior research fellow at the Australian National University, proposes extensive changes to economic management to encourage growth and a trade-oriented economy.

It argues that trade and structural change must be looked at together in developing long-range policies.

The lesson was learnt by Australia some time ago and is at the basis of its desire to develop a new trading relationship with New Zealand.

The report notes that there is no real measure of either the totol level of assistance to industry or of the effect it hes had on decision about what to produce.

But it notes that there has been a bias in favour of enterprises selling on the New Zealand morket, so export and other subsidies mey have done little to increase the proportion of goods moving into international trade.

Subsidies may also hove hindered structurel change, the report argues.

And it notes the difficulties inherent in pursuing growth founded on agricultural exports, since political pressures prevent major concessions being made on agricultural products under Gatt.

The report suggests a timetable to change all import restrictions and export subsidies over five years.

Import licensing prevents an efficient trading sector and the discriminatory system of tariffs and export subsidies would have to be reformed.

A timetable would reduce the uncertainty of the present *ad hoc* system and would remove the tendency to fiddle [illegible] intervention without looking at the total strategy.

As for structural change, the report urges two kinds of policies:

- Policies designed to help people to shift resources into activities that will create higher growth, such as encouragement for risk capitol, relocation and retraining of labour and the development of more productive technologies;
- Policies to offset the disruptive effects of structurel change, concentrating on the welfore of income groups which are hormed.

In the first category come the reduction of regulation and control, particularly import licensing and export control by producer boerds end the like.

Farm economics secondary in land speculation

by Rae Mazengarb

FARM land prices have rocketted in the last 18 months and there is no sign of a slowdown.

Sales volume too has been high, particularly in the East Coast, Hawkes Bay and Marton districts.

Snurces in those areas say some prices being paid for farmland are difficult to justify, on economic grounds, in terms of production.

The land-buying boom may relate to other factors.

Meat and wool prices have been high, but there has been talk of speculation in farm properties.

People may be prepared to pay high prices today in the expectation those prices won't seem as high tomorrow.

Figures from the Valuation Department confirm the rural real estate market is buoyant. The department's farmland price index – based on sales of freehold rural property sold on the open market over a 12 month period – shows that farm prices on average increased by 15.1 per cent in 1979 compared to 9.47 per cent in the previous year.

Last year 6724 farm properties changed hands, compared with 4061 the previous year, but total sale prices increased by more than $265 million to $595.8 million for 1979.

But the department's figures, subject to time lags of up to nine months, are usually a selling season behind. The upswing therefore may be much higher than the figures indicate.

According to the department's figures, the largest increase in values occured in the grazing farm category. The price index increased by 25.78 per cent in 1979, compared with 12.62 per cent in 1978.

The increase in the average sale price – $233,292 in 1979, compared with $166,988 in 1978 – was accompanied by increases in average area (592 hectares in 1979 and 464 hectares in 1978) and average stock units carried.

A record number of horticultural farms were sold in 1979, up 15 from the previous peak of 300 in 1970.

The horticultural farmland index increased by 23.8 per cent last year (11.6 pere cent in 1978) and average sale price for the year was $127,256 compared with $96,098 in 1978.

The dairy farmland index increased by 11.73 per cent compared with 7.01 per cent the previous year. The average price paid on the open market was $153,009 for an average land area of 63 hectares.

The fattening farmland price index – at 13.83 per cent increase – was almost double the previous year's increase.

The lowest recorded increase – at 4.1 per cent for 1979 compared with 7.89 per cent the year before – was for arable farmland.

A Valuation Department official, pointing out that the figures were not up to date because of time lags, said the department was aware of the current "movement" in the farm land property market. But he said it was difficult to know by how much.

There were individual cases of land price booms, but average price was the only true market indicator, he said.

The East Coast are around Gisborne showed the highest increases in values. Other areas are reporting an upsurge in prices that has not yet shown through on department figures.

A spokesman from the Napier area confirmed that in the last year there had been a marked upsurge in prices. The price of horticultural land appeared to have stabilised more recently, pastoral land was still moving upward, he said.

A small sheep farm went under the auctioneer's hammer recently for about $2688 per hectare – over $200 a stock unit – but generally these properties were changing hands at between $140 and $210 a stock unit, he said . . . "dearer than in most districts".

Horticultural lend was selling for around $20,000 – $25,000 per hectare (including buildings and trees) and bare land, suitable for horticulture, wes selling for about $12,500 per hectare, he said.

The boom could be related to the high prices, which have been received for meat and wool in the last few years, he suggested. The theory that people are buying up rural land as a hedge against inflation, has not been ruled out.

A similar boom appears to be occuring in the Marton and Manawatu areas.

A spokesman from Federated Farmers suggested the high prices might relate to intensification of land use, the concentration on crops and horticulture. For instance, the new malting company in the Manawatu area would encourage cropping; and a growth study for that region – now in draft form – could also contribute to increased values.

The Rural Bank tends to see the upward swing in farmland prices as simply relating to inflation . . . land gives a return.

There are indications that if the upward trend continues, the bank will be taking same careful steps to ensure farmers' ability to service their debts.

Legal about-face on lay participation

LAWYERS have done an about-face on the contentious issue of including lay people on district disciplinary tribunals.

When the Law Practitioners Bill was being prepared for introduction to Parliament last year, no provision was made for lay people to be present at disciplinary hearings – except in respect of serious offences at New Zealand tribunal level.

The absence of outsiders at disciplinary hearings has been the subject of widespread public criticism.

Because proceedings are conducted largely in private, the profession is accused of disciplining "itself" and acting too leniently.

But the Law Society has had second thoughts on a number of important issues, and has been reconsidering the Bill.

At a special council meeting to consider the Bill, the society recently agreed that because there was provision for non-professional participation at New Zealand tribunal level, district tribunals should also have lay members appointed by the Minister of Justice after consultation with the district council.

The member need not belong to the quorum, but should have the right to be present at hearings of the disciplinary tribunals.

Until now lay observers – or "ombudsmen" – have functioned as part of the complaints system in Auckland and Hamilton.

More recently the Wellington District Law Society has provided for lay participation.

But there has been no provision for outsiders to participate at disciplinary proceedings.

The chairman of the special committee which proposed amendments to the Bill, Tom Eichelbaum QC, said: "It is the logical step and we will only get mud in our faces if we do not make provision for lay participation in this single small area of the whole process".

But some lawyers suggest that the move may not achieve anything significant in practical terms. Rather, the problem of "secrecy" surrounding disciplinary proceedings would be solved by means such as legislation, to dictate how and when proceedings should be made public, they say.

Continued from Page 1

to be under consideration, increasing the shareholding to 1 million shares.

The Meat Board's allotment would then be held by a trust which might use the income to take over the financing of the Meat Industry Research Institute, a $488,000 drain on board funds.

Begg emphasised that a "review of procurement sideration, and a closer link with farmers and more direct buying policies for some of its purchases will be needed."

Devco has been experimenting with selected farmers in Wanganui who are killing on their own account, then selling direct to Devco for a higher-than-schedule price.

One major freezing company at least, is understood to have been approached by the Romney Sheepbreeders Association wanting seperate killing facilities for their livestock, ideally suited to Devco's needs.

The request was rejected. And it is understood Devco's board over-ruled the management to stop similar direct-buying argeements.

This season Devco wanted 3 million lambs for the North American market. But strong demand from Iraq and Iran, plus a lower kill so far, has made this difficult.

Freezing companies argue the schedule is an average, based on exporters most optimistic forecasts of the whole market including North America. Therefore Devco cannot be allowed to cream off 3 million lambs from a total kill of 27 million leaving the rest for other exporters to dispose of.

The companies argue North America is Devco's monopoly which should not be passed on to individual farmers.

Dissatisfied with the monopoly, the companies would prefer to have Devco as an overall monitoring organisation, setting minimum process and standards leaving them to supplement or perhaps eventually supply the market.

And Devco's difficulty in getting suitable carcases is likely to disappear within 18 months, when all freezing works will be using accelerated condition processes, necessary for the North American market, on all lamb.

Comment

Editorial

THE Prime Minister might do himself a service by heeding the advice he gave recently to the Society of Accountants: "You cannot be hanged for what you have not said."

The result might not be healthy for an electorate which is entitled to be well informed about the Government's performance. But the public's enlightenment isn't being too well served by official statements, either.

If we heed the Prime Minister, of course, we should treat the official statement as something akin to the fountain of all knowledge.

When the press disclosed — after the crash of a Fokker Friendship into the Mangere Harbour — that Auckland Airport's rescue hovercraft was out of action, one of two rescue dinghies had to be rowed 400 metres to the crashed plane because its outboard engine was out of action, and that the dinghies, primarily for carrying rescue equipment, could carry only about 10 people each, Muldoon complained that assurances by the Transport Minister Colin McLachlan hadn't been adequately publicised. "When a responsible Minister makes a statement of importance in the public interest, I think the media have some kind of public duty to record it," he decreed. And he reiterated what McLachlan had said — that the airport was complying with required standards when the Friendship crashed, and that if at any time and for whatever reason equipment and personnel were unable to meet those standards, the airport was closed to airport movement.

In September last year after the report by the Inspector of air accidents was published — Muldoon again insisted that rescue standards at the time of the crash complied with International Civil Aviation Organisation standards. Again he complained that the news media had either ignored official statements, or claimed they were wrong.

But on each occasion that either he or McLachlan had made a statement, they had been advised on the accuracy of the statements by responsible officials who "were in the best position to know what was available to Auckland at the time of the crash and what are the requirements of ICAO standards . . ." But this month the Ministry of Transport revealed to the commission of inquiry into airport safety equipment that Auckland's rescue services did not conform to those required for an airport carrying that level of traffic. The ministry had been adopting a different basis for categorising international airports in this country than the ICAO recommended.

In a different category is the official statement which doesn't tell all, such as the announcement by Education Minister Merv Wellington of the grant made once every five years to universities. The Minister announced on February 5 that $640.3 million would be spent funding universities from 1980-81 to 1984-85. Funds would be increased as salaries and wages were adjusted, he said, and the Government had agreed that essential items (such as library materials, heat, light and water, and postage and telephones) would be adjusted for inflation.

But it was the University Students Association which revealed the fine print by releasing confidential Cabinet papers.

Funding this year would increase by $5.3 million to $129.9 million, according to these documents — but the annual totals reduced from there to $129.2 million (1981-82), $128.3 million (1982-83), $127.1 million (1983-84) and $125.8 million (1984-85). The association subsequently was banned from discussions on Government education policy, and according to one report, former schoolteacher Wellington would enforce the ban until he felt the students behaved.

Then came Muldoon's announcement identifying 32 members (or alleged members) of the Socialist Unity Party. The *Auckland Star* decided not to print the names, arguing that it was not in the business of publishing lists, any more than it was in the business of disclosing individual membership of religions, lodges "or any other organisation with closed and secret membership and rules." It's thinking was reinforced by the doubts raised about the list's accuracy and the appreciation that in 1977 the Government paid $16,000 damages awarded against Jim Bolger, who had linked FOL executive members with SUP.

As the *Auckland Star* argued: "The fact that these names came from the Security Intelligence Service files is definitely no guarantee."

The paper's sense of responsibility or needless caution (depending on your viewpoint) last week earned Muldoon's condemnation.

"I have nothing but contempt for the lily-livered newspaper editor who says 'Yes, these people are paid by Moscow to try to destroy the economic and social system of this country and are succeeding in causing millions of dollars of direct economic damage each year, but no, we must not commit the serious crime of publishing their names'," he told the Employers Federation. He made clear during questioning he was referring to the *Auckland Star's* Pat Booth (which can only have alienated himself from one member of the audience — Booth's employer).

When he released the list of names, Muldoon had been questioned by reporters anxious to avoid court action under the country's often-criticised but still-unchanged libel laws. He said he could guarantee the list was correct. "You have nothing to fear but fear itself," he said. And he insisted: "We are not talking about guesses, we are talking about facts." Last week, he conceded the list had not been accurate. "There were some errors — minor ones," he said.

So much for the gratuitous handout. In contrast, the Government keeps secret information that could help the public's understanding of controversy surrounding major Government decision-making. The methanol decision, for example. But Muldoon declined a request to specify the inaccuracies which he claimed were contained in a series of *Dominion* articles on the methanol controversy. "I have stated repeatedly that when the facts are known it will be clear what the errors are," was his Catch 22 reply to an invitation to specify the inaccuracies.

Muldoon told his *Truth* readers last May it was worth pondering the statement made to him by a "very wise New Zealander" that if democracy in the Western world collapsed, the principal cause would be the free press. He urged constant alertness to the deficiencies of the media, but seemed satisfied that: "The healthy scepticism of the ordinary New Zealander is the best antidote to the deficiencies that are so apparent."

We can say only that a healthy scepticism should be shown not only to the media, but to the politicians who control much of the information which the media regurgitates.

BASTEN

Without word of a lie

SUP offers salvation to captain of industry

BEING an employer and president of the Labour Party has its problems for Jim Anderton.

Anderton attended a seminar organised by the Auckland Institute of Management. The as an industrialist ; also a member of the Auckland Regional Authority.

He said that to be called an industrialist should be the "kiss of death" for an aspirant to the position he holds.

"I've also been called a "captain of industry". But anyone who knows my business knows it's more like a small dinghy with the crew struggling with a broken rudder and one oar.

"My only salvation is that some members of the Auckland Regional Authority still think that I'm Bill Andersen, the president of the Socialist Unity Party . . ."

Mutual admiration society lacks members

WE need people with more confidence in our country, according to the New Zealand Steel managing director John Ingram.

"The sort of confidence that is demonstrated and proclaimed by Mr Muldoon at every opportunity," he told a group of managers in Auckland.

"The other day, I understand he was in conversation with two Swiss bankers, and to demonstrate his point he said: 'Look, things are so good here, if I wasn't Prime Minister I would rush down and plunge into the stock market'."

"The bankers looked at each other in silence. One finally turned and said: 'Yes, sir, if you weren't the Prime Minister, so would we'."

Star-spangled logo comes down to earth

INFLATION is one thing. But $200,000 for TVNZ's new star-spangled logo is ridiculous.

Ever ready to have a bash at their competitors on the box tube, press journalists jacked the price of the logo up from $100,000 to $200,000 in less than two weeks.

Last Tuesday the *New Zealand Herald* reported: "Filming the logo was done in Australia, reportedly at a cost of between $100,000 and $200,000."

Before the "reported" figure hit $300,000 or even $500,000 the ad agency behind the logo contacted us to inject a note of sanity into the business.

Auckland ad agency Monahan Daymen & Adams gained the logo contract after TVNZ's design department had spent a month turning out rejected ideas.

The $25,000, cost of the logo was $5000 over the original quote but nowhere near $100,000 let alone $200,000.

The animation for the logo was not done in Australia, as reported, but in Auckland by The Paint Pot Ltd. The animator was Canadian Mike Trebert.

Some of the optical work was done in Australia. But MDA directors said this was only a minor part of the job and contributed only a minor part of total cost.

In a separate deal, MDA handled the promotional work when TV One and SPTV merged into TVNZ. The agency placed ads in the press and on public (not private) radio stations. The media bill for this promotion came to about $21,500.

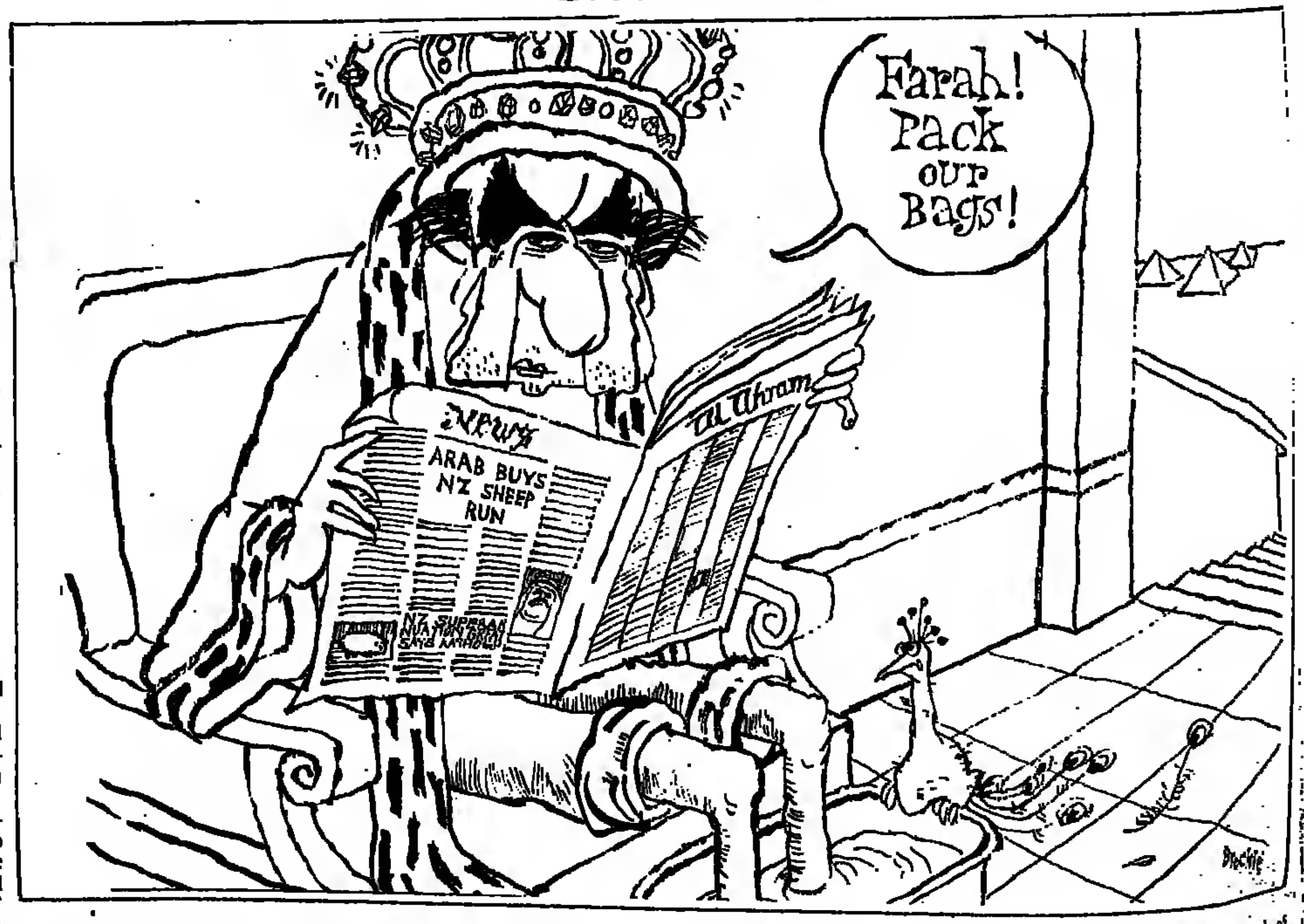
The music behind the logo was the work of New Zealand composer Mike Harvey.

MDA did not win many friends in TVNZ's own in-house design and music departments when it scooped the pool with its own logo.

MDA's four-star logo has been flying into heavy flak since its introduction on February 1 . . . and it now seems that it will only sent temporarily until TVNZ's in-house designers come up with an acceptable alternative.

TVNZ's programming controller Des Monaghan said *NBR's* story was "fair comment" and added; "I think MDA did a very fine job in a very short time at a reasonable price."

Brockie's view



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Comment

Future fuel success pends on waste crops

by Allan Taylor and Francis Shorland

SOME time ago we suggested that the farmers should solve the liquid fuel problem by making alcohol (ethanol) from surplus and waste crops.

In the United States, with its high gasoline consumption, surplus crops could yield 5 percent of the requirements by conversion to alcohol alone, aside from the production of methane from fermentable cellulosic waste. If we were to seriously convert crops to alcohol much, if not all, of our liquid fuel requirements would be met.

This is Brazil's policy where, ultimately, self-sufficiency is planned. Brazil can be assured of a bright future.

This year there will be 250,000 alcohol-run cars. The alcohol from cassava can be sold at 89 cents a gallon compared with premium gasoline at $3 a gallon.

This article attempts to survey the New Zealand dilemma and propose a solution to our economic difficulties arising from the fuel oil crisis.

When Nikolaus Otto invented the internal combustion engine in 1872 it was run on 180-190 proof alcohol; gasoline was not then available. Ethanol from fermentation, methanol from Maui gas and gasoline have different properties, but if the internal combustion engines are adjusted, each fuel will give roughly the same performance. The alcohols, however, have an advantage over gasoline in that they do not produce knock in engines, and do not have to be leaded.

The former availability of petroleum as a cheap energy and raw material can be viewed as an impediment to progress. Before World War II, Germany was independent of imported oil through the development of synthetic fuels from coal and substantial alcohol production by fermentation.

Fermentation was used to produce alcohol for motor fuel and many other chemicals were also produced in this way. The wartime production in Germany and Austria of glycerol by fermentation of sugar, required for the manufacture of the explosive trinitroglycerine, rose to 800-1000 tons a month.

Products such as lactic acid, butyric acid, acetic acid and acetone have also been produced industrially by fermentation.

After World War II the energetic pursuit of oil recovery made petroleum the cheapest raw material for the production of organic compounds. The synthetic fuels and chemicals from coal or from agriculture were brushed to one side and processes, that could have become increasingly efficient with experience, were neglected.

In the fine chemicals field, including vitamins and amino acids, there has been a return to the use of fermentation procedures, but the organic chemicals used on a large scale are still derived from petroleum.

The natural trend is to preserve the interests of producers of petroleum derived fuels. This leads to unfortunate discussions relating to the energy consumed to manufacture alcohol, without emphasising the total energy consumed in gasoline production.

Energy consumed in agricultural production and overseas transit to provide foreign exchange for importation of petroleum to make the gasoline is ignored.

The real question relating to liquid fuel is not, whether the amount of energy put in to produce the fuel is greater than the amount produced, but whether petroleum-derived fuel was used up for the purpose. If the energy used to produce alcohol is replenishable, the efficiency of its production is not critical. The objective is to have a fuel that can be used for our motor transport.

The debate on engine design should not be based on gasoline, which is doomed to extinction, but on the ability to run on the alternative renewable fuels — for example, alcohol.

Decisions seem now to suit the entrenched petroleum industry, and/or the entrenched motor manufacturer. The real needs of the country, and the customers tend to be ignored.

The adaptation of motor cars to suit the fuels as they become available, will surely be cheaper than making the fuel to suit the engine, as is implicit in the proposal to convert methanol to gasoline.

The enormous development of manufacture of chemicals arising from cheap oil production, has not only handicapped the manufacture of chemicals from crops, but has also led to the current economic disarray. The escape route from this dilemma is a rapid return to the use of agriculture as the basis for chemical manufacture and liquid fuel production.

Oil is naturally to the advantage of the oil companies and to countries which contain oil reserves. Whether the oil companies or the Arabs like it or not, the writing is on the wall.

When Brazil succeeds in replacing gasoline with alcohol, other countries will of necessity turn to alcohol as a replenishable resource. This means that alcohol production will control the price of oil and perhaps, indirectly, of some commodities such as gold and silver, and mitigate present economic disarray.

We strongly advocate, that the conversion of Maui gas stops at methanol and that the mooted vast expenditure to make gasoline from methanol is not proceeded with. What is needed is more investment on the farm production of alcohol.

In particular, education is needed so that the farmer can convert farm waste, such as cull potatoes and fruit and if needed crops, to liquid fuel. The proposal that we can buy petroleum from overseas by exporting Maui methanol overlooks the fact that the Japanese companies in association with Saudi Arabia's state run Industrial Development Corporation, will anticipate our projected venture having the advantages of larger scale operation.

The only useful forward thinking for New Zealand is to escape the expenses of importing oil and expensive technologies by using methanol, totally as a fuel for cars which can be adjusted to this purpose, much more readily than can methanol be converted to gasoline.

New Zealand is unfortunately characterised by taking on belatedly new overseas trends with the result that local investment and manufacture becomes geared to turning out products when they are almost outmoded in the world scene. We hope, therefore, that the proposed synthetic gasoline plant will not be allowed to eventuate as an addition to the list of useless and costly white elephant monuments.

For too long New Zealand has been imbued with the idea of exports, involving long distance transport to the ends of the earth which conproposed export of methanol (assuming there is an acceptable market) in exchange for petroleum serves no good purpose when the methanol can be used totally here for motor vehicles instead of imported gasoline.

Methanol could be supplemented by production of ethanol by individual farmers as well as by commercial production of ethanol in units distributed in various centres throughout the country. Ethanol production satisfies the principle of least movement and conforms to the principle of decentralisation of production and regional development, giving the benefits equally to all parts of the country.

Maui gas production in comparison, is concentrated in one area and carries with it the risk of explosion and of industrial problems, which could render the plant inoperative and out of control by the community which it is designed to serve.

The current agricultural exports will not sustain the amount of foreign exchange required to pay for the imported liquid fuels. The added foreign exchange by methanol export, to supplement that obtained by agriculture, is a far less effective solution than the direct use of locally produced methanol from Maui gas, together with locally manufactured ethanol and alcohol-New Zealand gasoline blends, which we strongly advocate.

The motor vehicle problems are person-made (at times perhaps, mischievously): the community at large should understand that these problems are capable of personal solution. The ignorance of the community plays into the hands of the vested interests involving unnecessary political turmoil. Until this is realised by the community, the future will remain grim. We are convinced that correctly directed education is the key to a future millenium.

While accepting the need to convert Maui gas to methanol, its further conversion to gasoline is fraught with economic hazards because of uncertainties, including the high cost, the possible lack of success and the time scale.

Government funding of oil exploration in the Southern basin is also fraught with uncertainties, which include the possible absence of adequate oil, and the fact that the technology of economic recovery at such ocean depths has not been solved.

Lesser sums of money spent on farm alcohol production would, we consider, offer the certainty of successful recovery and the earlier development of what will become the fuel of the future.

Francis Shorland, OBE, is an honorary lecturer in Biochemistry at Victoria University. He was recently visiting Professor on a Senior Fulbright-Hays Award at Michigan State University and formerly Director, DSIR, food chemistry division.

Soldering on in electronics

by Warren Berryman

WHEN the Government introduced its Excessive Price/Quality Differentials Policy last year, it was intended to prevent local exporters from being gouged by locally protected industries supplying inputs.

In essence, the policy said that if the exporter could show the local component or material was priced way above world price or of inferior quality, then the exporter could obtain an import licence to import the good from the world market.

This policy related only to exporters. It was seen as a means of preventing the good exporters from being nobbled in the world market, through being forced to rely on local inputs from inefficient and over protected suppliers.

Import licensing protects both the efficient and the inefficient manufacturer — the manufacturer with a good comparative advantage and growth potential in the world market, and the manufacturer whose existence relies only on high prices at home guaranteed by import licensing, ensuring the absence of competition.

Stated baldly, manufacturer "A" might be highly efficient in itself. But its finished product requires a component manufactured by manufacturer "B".

Manufacturer "B" is highly inefficient and charges the earth for a poorly finished component. Manufacturer "A" has to compete in the world market with an American company which buys components more cheaply from Taiwan.

Thus, manufacturer "A" is losing out in the world marketplace not because of its own shortcoming, but because it was forced to buy the component from manufacturer "B" whose monopoly on the component was guaranteed by import licensing.

The new policy was introduced to prevent the good manufacturer from being dragged down by the bad.

In economic terms it makes good sense. But it has thrown up an interesting argument on just how the quality of a local good should be compared with a competing import, when the prices are about the same.

Solder used by the local electronics industry is a case in point. Dominion Lead Mills Ltd, of Auckland, is the sole supplier of rosin-cored solder used in the manufacture of TV sets, radios, and other electrical devices.

This company's position in the market is protected by import licensing.

Solder supplied by Dominion Lead Mills is roughly on a par with world prices. But some users complain about its quality and would like the chance to import solder from overseas suppliers.

Pye Electronics is a large exporter of colour TVs. Pye's consumer products manager, Lauri Horton, argues that the uncertain quality of New Zealand-made solder is costing his company $100,000 a year in reworking.

Horton claims that assays of local solder varied in tin content, which makes soldering of circuit boards difficult.

Comments made to *National Business Review* by various electronics manufacturers, suggest that soldering might be more aptly called an art rather than a science. The quality of Dominion Lead Mills solder might be as much a matter of opinion as a matter of scientifically sustainable fact.

Pye has obtained limited licence to bring in samples of overseas solder which, with the help of DSIR, it will test against the local solder.

DSIR's solder expert Peter Conner, maintains there was a problem with the local solder in wave soldering of circuit boards due to excess dross.

Conner agreed with Pye as to the varied batches of solder from Dominion Lead Mills.

But Conner acknowledged the biggest problem might be with the solderers rather than with the solder.

Dominion Lead Mills managing director M D Harper put many of the complaints down to prejudice against a local product. He did acknowledge there had been batches of ingot solder sold by his company in the past that did not assay the correct proportions of lead and tin. But, he said, this had been sorted out.

Past DSIR tests on solder, Harper said, had shown local solders to pit soldering bits faster than English solder. But the English solder produced faster bit wear than local solder — "a six of one, half dozen of the other situation"

While Pye remains the strongest critic of the local solder, Philips is happy with the local solder, saying there had been some problems but no more than with imported solder.

Pye has tried for a licence to import solder under the Excessive Price/Quality Differentials Policy but has been turned down.

Pye has a reputation in the industry for being above average in the quality control side.

In the end it might be left to the DSIR, a Government department, to decide if local solder is or is not of differing quality to imported solder.

And that is a far cry from the free trade assumption that the consumer is the best judge.

Warren Berryman is a *NBR* staff journalist.

Letters

Planning faith in country

ON the same day as I read Peter Isaac's assertion (*NBR* March 10) that "bewildered New Zealanders are being herded towards Australia" by people such as myself, I received a letter from the chairman of Project New Zealand applauding me for my call for New Zealanders to have faith in themselves and to recognise the opportunities available here.

It is obvious that either Mr Isaac or Mrs Moir has misinterpreted what I said. I believe that any person who takes the trouble to read the speech which provoked their responses will se that Mr Isaac is the one who is off beam.

I emphasised how vital it is to overcome the temporary loss of faith in ourselves and of confidence in our future which is represented by a heavy net emigration of people from this country and by low investment by our enterprises. I went on to say that I believe that confidence in our future is returning. There is a growing recognition that the opportunities are there. I then discussed some of the changes in attitudes, institutions and policies which I considered were necessary if we were to take better advantage of the opportunities.

I resent strongly being classed among the "merchants of despair" by someone who has clearly never read or heard the speech which was used as the basis for the article.

I trust that, if and when he does read them, he will have the courtesy to acknowledge that his statement about my attitudes was mistaken.

Frank Holmes
Chairman
Planning Council

Export education

YOUR issue of March 3 draws a comparison between the no charge export seminar conducted by the Manufacturers' Association and a $40 seminar on a similar subject organised by the Export Institute. One is a two-hour information meeting and the other a full-day, in-depth seminar.

Not a very important matter, perhaps, but one in which there is a principle involved. Unless there is a value placed on education and the upgrading of technical expertise in exporting, our level of performance will not be internationally competitive.

One has only to consider the recurring problems of faulty documentation, unattended correspondence and ignorance of export requirements, etc, to realise that this country has a long way to go to achieve full export proficiency.

The institute has endeavoured to provide a professional level of export education and indeed has an officer full time on this work. Over 5000 people participated in its education programmes last year and its national seminar at Rotorua was covered in full by the *NBR*. There are some 400 students working on a three-year Diploma of Export and steps are being taken to establish a staff college to internationalise the management skills of companies operating in export.

Notwithstanding, the Government, in its wisdom, has changed the qualifying range of expenditure for the 150 per cent tax incentive as from April 1 which means that educational activities will be excluded from the incentive. Surely we should be doing everything possible to accelerate the training of export skills rather than to discourage them.

Some hundreds, indeed thousands, of companies have been induced to enter the export field in recent years, and there is a major task ahead to raise the level of exporting skills.

By charging for its seminars on a user-pay basis, the institute has to provide value for money by constantly upgrading its educational programme. This has required us to examine exporters' organisations overseas and develop programmes of no less standard.

The Department of Trade and Industry has also now decided that education has a value by charging $30 for its half-day seminars, compared with $40 for a seminar.

R W Southcombe
Export Institute

Boeing width hardly narrow

I WOULD like to draw your attention to a slight error in the article on Australia's twin airline policy (*NBR* March 10).

The Boeing 767 is in fact a wide-body jet, not narrow bodied as described in the text. Boeing's two "new generation" jets are the 757, a fuel efficient, six-abreast, single aisle twin with the same fuselage width as the 707, 727, 737 series and the 767, a seven-abreast, twin aisle wide-body twin. The 767 cabin is four feet wider than the standard fuselage Boeing jetliners now in service.

While the 767 cabin is not quite as wide as the A300, it can hardly be described a[s] narrow bodied.

Boeing describe the 767 a[s] seating 211 passengers in [a] typical mixed-cla[ss] configuration with many other arrangements also possible for up to 289 passengers eight abreast for charter flights for example.

D M Sh[…]
J Thol[…]

Muldoon nom de plume

IAN McLean MP, asks wh[y] when criticising Government economic policies, [...] economics correspondent does not put his name to the article (*NBR* March 17).

As McLean's letter ech[oes] Muldoon's sentiments may [I] ask why Muldoon doesn't p[ut] his name to the letter?

Is it because Muldoon [...] has a snitcher with the [...] but still wants his view [put] across thereby needing [the] McLean nom de plume?

Roy Onn[…]
Auckla[nd]

Politics

Australian talks: an indication of new mood

by Colin James

IT is rare that important changes occur at convenient points in the calendar. Yet there is good reason to believe that 1980 may prove to be some sort of divide in the evolution of New Zealand attitudes and aspirations.

Within three months of the beginning of the year it is possible to distinguish a new adventurous mood in the Government — a mood sufficiently encouraged by a sympathetic reaction in the electorate to be likely to continue.

Yet you could be forgiven for thinking this is a figment of my imagination. The rhetoric from the top has been more concerned with reds under the beds than with beckoning you to new fields.

The initiative is coming, not from the top, but from below.

The Prime Minister is essentially a cautious man. But he is a powerful man.

His tactic in committee confines is to challenge people with bright ideas to "convince me". Once a finance minister, always a finance minister, the adage goes, implying a greater ability to knock down than build up.

This is in one sense a strength: a proposal that survives the Prime Minister's scepticism stands a good chance of having also had most of the fish hooks removed — or at least examined and assessed.

The drawback in this approach is that the man to whom one would normally look for leadership is not providing it.

Thus last year's important Budget changes were almost buried in bland prose.

Thus, too, the importance of the shift in economic management contained in the textile plan is trumpeted by back benchers rather than the Prime Minister and his trade and industry sidekick, Lance Adams-Schneider.

And thus it is from officials and Deputy Finance Minister Hugh Templeton that the real enthusiasm is coming for a closer economic association with Australia.

The meeting between the two trans-Tasman Prime Ministers has passed by with scarcely a ripple of public consciousness.

Yet it marked, to borrow Australian Prime Minister Malcolm Fraser's hackneyed description, a "watershed".

At one level there was a clear commitment by the two men — and their Cabinets — to put real effort into overcoming obstacles in the way of free trade.

Fraser: "There is enough in it of real merit to pursue those studies with vigour and with a *commitment to make it all work.*"

Muldoon: "Does the proposal appear to have sufficient merit to do the detailed work with a view to bringing it together? . . . The answer is yes . . . We have highlighted a number of potential stumbling blocks and difficulties . . . *we have got to find a way round them.*"

It is thus now safe to say that a genuinely free trade arrangement is more probable than possible.

But even if one or other country exercises its option to cut and run (Fraser, for instance, could, if he wished, blame it on his state governments, still to be consulted), the events of the past month have an important significance in marking the extent of a change of attitude at high level, an attitude of greater adventure, of more willingness to take risks.

This is not a cosmetic gloss put on by the politicians, but extends to civil servants, important interest groups, such as the manufacturers, and, more amorphously, the electorate at large.

Trade and Industry Department thinking on import licensing is, if anything, ahead of that of its minister. It was, in fact, the department's switch to support of proposals to drastically relax licensing for Australian imports that was a key factor in getting the idea out of neutral in New Zealand.

The department's loosening up has been made easier by a much more outward-looking attitude on the part of manufacturers.

The agreement now given a political imprimatur by the two Prime Ministers was essentially reached at the meeting of permanent heads of key departments in Canberra at the end of February.

There for the first time, partly because they sensed a political will evolving, the two sides were able to say confidently that a substantial development in the trading relationship was possible. A single report went to both Cabinets.

Up till then the New Zealand Cabinet, given no lead from the top, was agnostic on the proposal. But in succeeding weeks, it swung round behind the idea.

If there were last-minute cold feet, it appears they were on the other side of the Tasman. There was some hard word-trading before permanent heads got to a final draft in Wellington the weekend before the Prime Ministers met.

So what have they got?

Not much, on the surface. Three boxes which look rather like Nafta, one duty-free immediately, a second duty-free over five years and a "too-hard" box for "products on which a decision would be deferred because of special reasons".

The difference comes partly in the intention that "*all* goods produced in either country" (capital is excluded, principally because of New Zealand fears of a flight of investment money to Australia) would go into one or other of the boxes.

Not spelt out by the Prime Ministers is the unofficial intention that both countries should come up with their suggestions for the boxing by the next ministerial meeting on Nafta in June.

The size and shape of the lists each country puts up for the too-hard box will be a critical test of whether the exercise gets any further. The lists must not be too long, nor must they consist of different items for each country — or we will be back to Nafta. Thus the next three months are very important, perhaps crucial.

The second key element is the commitment to study techniques for the "gradual and progressive elimination" of import licensing on New Zealand's part and tariff quotas on Australia's.

The principle is for a 10 per cent increase in licences/quotas a year — not much on the face of it, but it represents a doubling every seven years in real terms and would in fact effectively eliminate the restrictions in fairly short order.

The word "study" encourages scepticism. But there is a firm scheme to study and that is a considerable shift of attitude on both sides.

In New Zealand's case it reinforces last year's Budget comments about putting some heat on "inefficient" industries, by which is meant those that are uncompetitive in world terms.

On two important issues the ball is now in the Australian court.

Free trade in agriculture — meaning, essentially, dairy products — caused a jarring note in the prime ministerial talks when a New Zealand voice said it was "not on" to go further without progress on this score.

In the event the agriculture principle has been conceded, Australia having secured study of the effect of support and stabilisation measures in each country, which dairy farmers in Australia suspect give New Zealanders an unfair advantage. New Zealand officials are sure they don't. It is up to Australia, they say, to make a case.

Much the same applies to "intermediate goods" — components and materials which Australia produces in greater supply than New Zealand behind tariff walls that have put some endproduct manufacturers at a disadvantage with New Zealand competitors who are able to buy on the world market.

It is such issues — the boxes, quotas, agriculture, intermediate goods and export incentive schemes, also to be studied — that will be the focus of official attention and activity over the next three months or so.

The proposal must also be checked for "Gattability" — acceptability to world trade arbiters — and internal acceptability. And the South Pacific countries must be kept alongside.

If all these issues are resolved — and, despite the temptation to be sceptical, the odds are that they will be, given the degree of political commitment and official enthusiasm now in evidence — there will be a genuine free trade arrangement.

It will then be a question of whether, as officials are suggesting, it proves but one step along a road to a customs union. Indeed, looking further into the future, the annex to the communique discussed "reasonable protection against third country suppliers" and "a common external tariff", where practicable — concepts with customs union implications.

The question is a big one. The answer could well substantially determine the direction of our internal economic restructuring.

So far, it and other measures, have been undersold — almost by sleight of hand — by the politicians.

This cool approach, the natural corollary of the Prime Minister's cautious ambivalence, may have been important in getting thus far without substantial opposition. But there will come a time, when, if the new mood is to be exploited to the country's benefit, the finance minister will have to act the Prime Minister.

Economy

OECD arms policy-maker to cut wage rises

Economics correspondent

POLICY-makers come forward and take a bow. Somebody thinks you have shown economic management skills over the last year. Salary and wage earners are the ones screwing things up by their failure to recognise that there are trade-offs between unemployment and inflation.

This is the message of the latest survey of the New Zealand economy published by the Organisation for Economic Co-operation and Development (OECD).

Last year's OECD survey argued that the important medium-term economic issues concerned the shift of resources into the export sector, the exposure of the import-using sector to greater international competition and the acceptance by wage and salary earners of a greater part of the income adjustments for structural change.

Government initiatives taken last year, such as: the removal of price controls, improved flexibility in import regulations, the review of resource allocation in the protected sectors (like the textile industry study) and the new flexible exchange rate system, are welcomed by the OECD.

But it complains that rigidity in the links between costs, prices and incomes has grown stronger. Until there is widespread acceptance of the need to reduce inflation and reduce the distribution of income to salary and wage earners, the OECD says progress in economic restructuring may be limited.

As the chart shows, there has been a large shift in the distribution of income shares during the 1970s. The share of salaries and wages in total incomes has risen from 60 per cent averaged over the three years between 1968 and 1970, to 65 per cent in the three year period 1977/79. Over the period between 1968 and 1979, the amount paid out to salary and wage earners grew by 267 per cent.

Transfer payments (social security benefits and pensions) rose even faster, largely as a result of the Government's national superannuation scheme. In the same period, they grew by 396 per cent. And the share of total income going to social security benefits and pensions rose from just over 7 per cent to 10.5 per cent.

With such rises in the income shares of social welfare beneficiaries, salary and wage earners, something has to give somewhere. And entrepreneurial incomes — farm, business and investment and company incomes — have all experienced a declining income share. Overall, entrepreneurial income takes only about a 25 per cent share now compared with close to 33 per cent at the beginning of the 1970s.

The OECD reports that while salary and wage income has risen by 40 per cent in real terms (accounting for inflation), the real value of entrepreneurial income has remained static. This increase in labour's share of total income implies that there have been falls in the return to investment and in the returns to land.

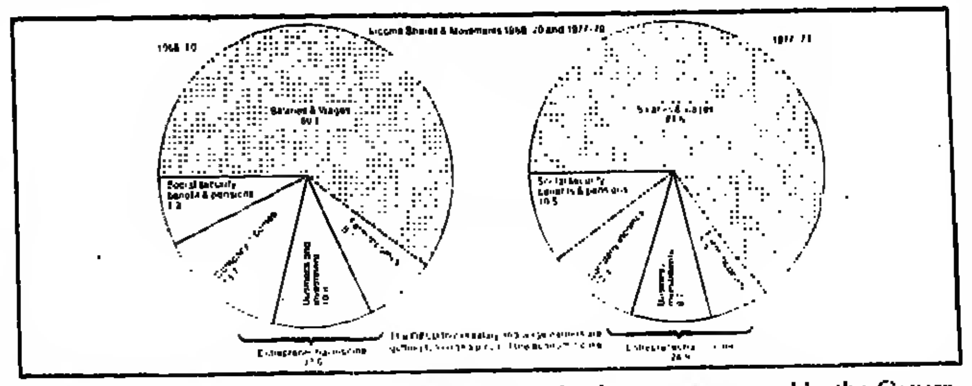
An analysis of trends in prices and wages leads the OECD to conclude that: "there appears to exist within the underlying framework of wage-price relationships, a process of interaction which is closely akin to mutual indexation." This circular relationship has been reinforced by other economic activity.

"Monetary policy, and the monetary consequences of fiscal policy (the Government's budget transactions) have by and large been accommodating to both wage and price movements and there has been little pressure from financial or credit sources to resist an acceleration of wage bargains or the pass-on of costs into prices. Most welfare and transfer payments are now indexed. Incomes in the public sector are indexed to private sector pay rates."

Farm incomes are also supported in various ways in order to provide protection from the adverse effects of inflation. Exporters are able to remain competitive through the operation of the flexible exchange rate mechanism.

But all these measures, designed to protect various groups from adverse economic effects, have resulted in a system in which the relationships between income groups have become progressively less flexible.

The OECD argues that this rigid structure is only viable in the medium term if the terms of trade (relationship between import and export prices) remain stable. "If the terms of trade decline, the attempt to maintain real average incomes for all groups in the community is bound to fail, and is likely to result in unemployment and a slower growth of output."



To bring about an increase in the underlying rate of growth by raising output in the export sector and improving the competitiveness of domestic industry, the OECD said that the share of income going to entrepreneurs must increase out of labour's share.

Experience over the last decade suggests that direct intervention by the Government has not been effective in reducing labour's income share.

So the OECD advises the Government to provide a stable institutional environment in which consensus can be fostered. This can be brought about by the existence of more competitive checks within the economy and by the Government taking a greater role in stabilisation than it has done since 1972.

For a lasting solution to the question of income shares to be found, the OECD said representatives from the various income groups should meet with the Government in a neutral forum. It is essential that there is broad consensus on the distributions implications of restructuring.

The OECD seems convinced that once labourers are made to understand the macroeconomic trade-offs involved in restructuring, a consensus will emerge. But this is little more than a pipedream shaped in the Paris offices of the OECD secretariat.

Despite a large income share, salary and wage earners are experiencing a decline in their living standard. They may be getting a larger slice of economic cake, but the economic cake has shrunk.

Giving a larger slice of the economic cake to farmers companies and business people will not necessarily result in the cake becoming larger.

The OECD is barking up the wrong tree by following the current fashion of linking poor economic performance to wage increases. A more important question is why growth in entrepreneurial income has been so low.

Aviation

Cheap seats allocations chill ski operators

AIR New Zealand, for the second winter running, is under fire from tour operators who claim there are not enough seats available for Australian skiers on package holidays.

Their dissatisfaction centres on an inability to book further winter skiing traffic on the Group and Epic fares from Australia.

Forward bookings for the lucrative Australian ski-tour trade have picked up dramatically over last year's disastrous ski season, when only 5000 Aussie skiers came to New Zealand, compared with 10,000 in 1978.

Much of the problem is not Air New Zealand's fault, but tour operators maintain some of it is. They are furious at the airline's refusal to allocate more cheap seats (known as "Class B" fares).

After last winter's air fare fiasco, when Air New Zealand fixed Class B fares too late for travel agents to take advantage of them, the airline promised it would do better.

So this year the new cheap fares were fixed well in advance. But there is a hot difference of opinion on how fairly the seat allocations were shared out between summer and winter operators.

The airline maintains that, like the rest of the travel industry, it was taken by surprise when New Zealanders in their thousands rushed to go to Australia this year.

The airline says it expected there would be far more seats than were left for use by winter tour operators. But these few seats are now almost fully booked by ski tour operators who estimate that at least 3000 Australian skiers will not be able to come here this year unless the airline further relaxes its Class B fare restrictions.

Last year, Australian skiers shunned New Zealand skifields and business plunged by a conservatively estimated 40 per cent. Australians either stayed at home to ski or went instead to the United States in the northern winter.

But this winter, forward bookings so far indicate 7000 skiers destined here. That figure has turned into a quota because of the shortage of seats.

In direct response to pressure from tour operators, including Mount Cook Airlines, Air New Zealand has increased Class B allocations by 18 per cent by pushing the cheap fares into the "frequent travellers" section.

This section is for businessmen who travel a lot with the airline, and who will now have to make do with ordinary economy class.

Air New Zealand is adamant that it cannot afford to allow more Class B fares on its trans-Tasman run. The group fare (the lowest in the section) is now $A19[illegible] ($NZ182) after the recent increase. Any less says Air New Zealand, and it will lose money.

"It's an inescapable fact that we have got to operate these at some sort of profit," says southern area sales manager Gerald Anderson, "and it isn't helped by always being behind with fare increases over fuel costs".

"I wouldn't say there's been a dustup between ourselves and the ski operators. I've heard some have said that the summer operators got first [illegible], and that they are upset at this, but it's fair to say things went against them this year with the demand that no-one expected," Anderson said.

The tour operators [illegible] the airline's financial argument by citing the [illegible] each Australian skier [illegible] in overseas funds to the country.

Air New Zealand will [illegible] under increasing pressure from a number of groups to release more Class B seats, particularly as tour operators will soon begin to point to bookings definitely lost.

The real "heavy" is Mount Cook, which desperately needs further group bookings to feed its huge winter [illegible] operation. The Commercial Ski Areas group is also beginning to make unhappy noises.

Anderson confirmed that Mt Cook had been one of the groups involved prior to the [illegible] per cent release.

The accommodation section of the industry is also unhappy about the airline's refusal to give way further.

It is certain that all groups involved will be mounting a combined campaign to get Air New Zealand to change its mind.

"... and, to cap it all, doctor, I've been asked to resign from the [illegible]"

Aviation

Continental flies head-on into Govt downdraught

by John Draper

CONTINENTAL Airlines is in strife again with the Government.

"Chicken feed fares" giving passengers a substantial discount on internal American fares can no longer be sold or advertised in New Zealand.

And the Government is still "considering" the American airline's application to overfly Pago Pago to and from Honolulu; to have traffic rights over the Tasman; and to sell London excursion fares.

Continental was in trouble with New Zealand from the beginning when it proposed a package of cheap fares under-cutting existing rates.

Now Civil Aviation officials are less than happy with Continental's performance after it claimed it would be tapping a completely new market, the American midwest.

Loading factors to and from Auckland have been nowhere near the levels to and from Australia, where Continental has been able to use its aggressive advertising.

Continental's "knocking copy" advertisements, in which the airline claims to "know its home territory better" than other airlines flying only to Honolulu, Los Angeles or San Francisco and showing the 40 American destinations in its network, are being used only in trade publications.

The United States Civil Aviation Board has agreed to Continental's request to eliminate Pago Pago, which has been neither a popular destination nor generator of traffic.

But the New Zealand view is that by overflying American Samoa, Continental becomes a direct competitor with Air New Zealand across the Pacific, particularly as the American carrier has failed to generate substantial new traffic.

And the American carrier's bid to fly the Tasman and sell cheap excursion fares to London, as most other carriers serving Auckland can do, are seen in Wellington as devices to win a share of an existing market.

Civil Aviation officials see some merit in Continental being able to sell a complete South Pacific package which gives a stopover in New Zealand on the way to or from Australia.

But Australian Government approval will also be needed.

Continental may ask the United States Government to take action against Air New Zealand — and perhaps Qantas — if it fails in its applications. Legislation recently passed by the Senate and now awaiting Presidential approval would allow the American Government to suspend the licence of any carrier whose Government discriminated against an American airline.

Civil Aviation officials in Wellington insist they are demanding only that Continental abide by the condition set down in its operating licence.

Fare-fixing conference gets new lease of life

by John Draper

IATA — the international airlines' fare-fixing conference — is taking off into a second life, powered by widespread Government support.

After being battered by America's "open skies" policy and fortress Australia, later emerged from a recent Montreal conference of aviation officials as the only viable fare-setting system.

Third World nations were particularly vocal in their opposition to both policies at the Second International Civil Aviation Organisation conference.

America's policy was branded aggressive, threatening the future of small Third World airlines which are supported by the public purse.

Australia's policy was seen in the opposite light, as being too restrictive, not allowing smaller carriers to build up traffic where they might be in competition with Qantas or other airlines favoured by Canberra.

Despite the withdrawal of Pan Am and several other carriers, the Iata regional fare-fixing conferences, regarded as cartels by United States Civil Aeronautics Board, are being given recognition again.

But for New Zealand, the Iata's resurgence will make little difference.

America gives Iata only united recognition, Singapore doesn't recognise it, and rates across the Tasman are traditionally negotiated between the two Governments.

But New Zealand's delegation did make an impact at the three-week conference.

Deputy Transport Secretary Jack Healy and the civil aviation policy director John Kennedy-Good, successfully put forward a motion calling on governments to ensure adequate fuel supplies, for approved operations without discrimination.

Fuel and related fare increases took up a day of the 400 delegates' time. The conference supported the recommendation of an Iata conference earlier this year that fare rises should be automatic when fuel causes costs to rise by between 1 and 3 per cent.

New Zealand has reserved the right to approve fare increases. But if Air New Zealand and other carriers can show that costs have risen between the limits, a fare increase will be automatically granted with Government approval.

Rises in costs of less than 1 per cent will be ignored and those greater than 3 per cent subject to greater scrutiny by officials.

The conference spent considerable time debating current capacity regulations.

The United States is promoting the concept of free determination, allowing airlines to schedule any number of flights to serve the market how they deem best.

But the conference reaffirmed its faith in pre-determination, leaving airlines to fix the required capacity but with the Government's right to review.

Govt faces bill for Qantas extension

QANTAS'S plans to introduce Boeing 747SPs on trans-Tasman services into the capital next year will cost the Government and Wellington City Council at least $2 million.

To accommodate the high performance jumbo jet, the capital's "marginal" airport will require extensive upgrading.

A paved shoulder will be needed down either side of the runway to stop the existing grass verges being ploughed up by the overhanging engines, which would otherwise create ingestion problems for the big jet and following aircraft.

Taxiways will need to be widened, the median lighting strip moved and a corner knocked off the crash-rescue centre to allow the jumbo to pass comfortably by.

Civil aviation officials are confident that the necessary work can be done next summer, providing the Government gives its early approval to the expenditure.

The Australian airline is provisionally scheduling two flights a week to Sydney and one each to Melbourne and Brisbane using the 330-seat plane, replacing services now using a chartered Air New Zealand DC8, from next February.

But the biggest problems will come in handling the 330 incoming and 330 outgoing passengers, plus friends and relatives at the existing overseas terminal.

The terminal's small reception hall originally built for domestic traffic but rejected by NAC — will not be able to cope with the flow. At present, Customs and Immigration officials congratulate themselves on handling the 150 passengers from a DC8 in 90 minutes.

At that rate, it will take more than three hours, longer than the flight time from Sydney to process the passengers from the Boeing 747SP.

Qantas is hopeful the necessary work will be done in time to start services by February.

Air New Zealand's services from the capital's short runway, using 155-seat DC8s will continue basically unchanged, fulfilling its commitment to maintain trans-Tasman services until a decision on a longer runway is made.

Securities Commission invites debate on control of prospectus and advertisement content

by Peter V O'Brien

THE Securities Commission's proposed recommendations for securities regulations will create debate among professional associatioos and companies.

The commission's recommendations were released today as a 189-page book. They contain a background summary of the theoretical base, and detailed draft regulations to control the content of prospectuses and advertisements which solicit money from the public.

The background summary is an excellent piece of legal writing, and worth reading.

The proposed regulations will be controversial, but interested parties hnve an opportunity to comment on them before they are sent to Justice, Minister Jim McLay.

Commission chairman Colin Patterson says the procedure being followed is "unique in the history of law making in New Zealand".

In his press statement accompanying the draft proposals, Patterson says this is the first time, to his knowledge, that persons taking an interest in law making have been given the opportunity to express their views on "the very text of legislative proposals put forward from an official source before they had been adopted by the Government."

Those wishing to make submissions should give ootice of their intent by April 30 and send their views to the commission by May 31.

We see no reason to wait that long before considering some issues in the draft

The regulations are intended to control methods of raising money from the public, whether os equity or debt securities, or by the organisation of participatory schemes, such as syndieotes and so on.

They therefore refer to the *birth* of companies and other *forms* of organised finoncial activity. The Companies Amendment Bill, currently before a Parliamentary Select Committee, is concerned with the law relating to the winding up of companies, or their management when they fall on bad times. The bill is therefore interested in the *death* of companies, and their decent burial or resurrection.

Each area is a moment in time. When are we going to see some revision of the rules about the *life* of organisations, *a period* which is much longer than the instant of birth or death?

That involves a complete rewrite of the Companies Act, but it is relevant to the proposed securities regulations, because the latter contain material which expands the Companies Act's provisions, ond which will result in different disclosure levels betweeo componies.

It is impossible in n hrief orticle to analyse the recommendations in depth. Discussion of the more controversial point is appropriate.

The commission stntes its purpose "in promulgating the proposols set out in this paper" is to achieve definitions of:

"(a) the matters to he specified in o prospectus;

"(b) the closs of mnteriol which may lawfully be included in odvertisements relating to public offerings of securities; and

"(c) the closs of material which will be prohibited from advertisement."

Referring to the amount of financial and other disclosure appropriate in a prospectus, the commission soys there is a substantial body of criticism overseas about the disclosure philosophy.

"The expense of providing information is not inconsiderable, and the hurden of doing it hecomes irksome when it is known that most of those who receive the information ignore it".

But it is generally recognised that the requirement for detailed disclosure can act as a control on dubious or fraudulent ventures.

The commission defines the functions of a prospectus as three-fold:

"•To state a proposal which the proponent (why may be interested in the proposal in a variety of ways, as we will shortly mention) wishes to place before the public;

"•To provide to the public the information which the proponent regards as relevant to the proposal;

"•To supply the basis for supervening contracts implementing the proposal".

The paper distinguishes between the appropriate requirements for deht and equity securities. The recommendations throw up some prohlems in these areas, which are worth examination, particularly as regards disclosure.

There will he a conflict between prospectuses from existing companies and the Companies Act's provisions regarding the content of annual reports from both [illegible] companies and organisations which are not issuing a prospectus.

The recommendations [illegible] that a debt security prospectus (dehentures, notes and [illegible]) should summarise [illegible] financial information [illegible] to "the consolidated [illegible] the issuer and all its guaranteeing subsidiaries as at [illegible] date of delivery of the prospectus".

A counter argument [illegible] that the information [illegible] subsidiaries should [illegible] provided, with the charging subsidiaries included [illegible] separate heading.

It would be possible for a company to include information regarding the [illegible] the charging subsidiary which shows the [illegible] available are sufficient [illegible] any call on their security.

A company could [illegible] raise money, knowing [illegible] charging subsidiary [illegible] massive trouble, without passing on the fund [illegible] subsidiary and the [illegible] it. That information [illegible] available to the [illegible] public, who can [illegible] full ramifications of the [illegible] raising proposal.

The commission [illegible] avoid "comingling" [illegible] finances in charging non-charging subsidiaries. It can achieve the object by separating the information.

A more serious problem arises in financial disclosure by companies which issue prospectuses, but already issue annual reports. The information recommended in the draft regulations goes a lot further than the eighth schedule of the Companies Act, which sets out what must be included in annual reports. That schedule is well out of date. Many companies voluntarily, or under pressure from the Accountants' Society guidelines, provide much more information.

Legally we could reach a situation where a company issuing a prospectus has to disclose more than a company which does not issue n prospectus, but which presents nn annual report to the shareholders. The compony issuing the prospectus would also be presenting more data in that document than is required in its own annual report.

The Commission takes the view that promulgating regulations is easier than getting in the queue for Porliamentary amendment of a statute. That is valid, but there is n comparatively simple solution.

The draft regulations are open to submissions and amendment. When that process is complete, it would be an easy matter for one section amendment bill to go through Parliament repealing the eighth schedule, and saying that the provisions of the regulations on financial information are henceforth to be the eighth schedule relating to disclosure in company onnual reports.

The simple amendment would remove a longstanding criticism of the Companies Act, and also recognise the life of a company, as well as birth and death.

The commission proposes more information on directors' backgrounds, including age, technical or professional qualifications, whether they have been involved in n "hody corporate that is being wound up (other than hy menns of n memhers' voluntary winding up)", and similnr information.

More information on directors is desirnble, hut there is a curious omission. Surely it is appropriate to include other directorships, particularly where the director is also a director of another company Involved in o similar line of business?

For example, some directors of finance companies may also be directors of insurance companies, or be a director of another large group which has a finance subsidiary.

They keep their hats on different pegs when considering the affairs of particular companies, but the information is relevant to a public investment decision, even if it only shows the director's wideranging interests ond experience which he will apply in the company issuing the prospectus.

The commission's proposals include a term in the financial disclosure section which is open to different interpretations, perhaps in a deliberate ottempt to stimulate dehate.

A company would have to disclose "gross operating revenue", but there is no definition of the term. It can mean the difference between sales and direct cost of sales, before deducting other expenses of administration aod non-production overheads; it can mean total sales revenue turnover, or income from all sources (for example, a finance company does not have "sales" as such); in the case of some pastoral companies it could be a combination of direct sales plus the total value of produce from which a percentage commission income is received; or it might be the last figure, but excluding the total value of produce sold on commission.

A definition is essential in any regulations, otherwise every company will be free to make its own interpretation, which defeats the regulations' intent. And how does the term match up with the Accountants' Society's guideline of sales/turnover disclosure?

If we are to have law, it should be consistent in its meaning, applicable to all entities in only one form, and take account of modern thinking on what should be disclosed in compony reports.

The requirements on advertisements will tidy up the more blatant puffs which have tried to make the public invest over recent years.

The use of personal recommendations would be controlled by stating the qualifications of the person to assess the worth of the securities and the number of securities held or applied for by them.

It is a pity that clause will not cover the Government's advertising, because it is outside the scope of the Securities Act. So we con expect a continuation of tealadies, retired clerks, and suove looking unnamed professionol actors telling us to "hurry, hurry, hurry", because the savings stock which "is here again" is about to close.

Unfortunately, the commission has still to tackle the problem of people who write about, or comment on, issues of securities to the public, but who fail to disclose that they either own, or have applied for those securities, or that they are engaged in handling investment portfolios for institutions or funds.

The public is entitled to that information for two reasons. First, it overcomes possible accusntions of affecting the market for direct or indirect personal gain.

Second, it has the positive effect of showing the "putting money where mouth is" element in the recommendation.

Those ore a few of the issues in the proposed regulations. There will be others. The commission can look forward (with joy or apprehension) to many submissions from interested parties.

Fledgling investors dive into corporate finance

SHAREHOLDERS who want to criticise directors and management for their conduct of company affairs have a responsibility to acquaint themselves with the basics of corporate finance.

If they find that too difficult they should either keep quiet, or refrain from holding shares in public companies. The latter recommendation is hased on the principle that you should never spend money if you are unaware of the nature of your purchase.

The Gear Meat annual meeting in Wellington on March 20 saw extraordinary shareholder ignorance of fundamental financial matters, and an equally extraordinary desire to express that ignoronce.

Chairmon John Pottinger and deputy chairman Selwyn Cushing must have felt like telling some shareholders where to get off, but managed to keep their patience and politeness.

Gear's plan to sell its Petone plant to the proposed Waitapu Meat Co started a debate on the plant's value.

Cushing explained that land and buildings had a government valuation of [illegible] million, and were being sold for $5.2 million. The remaining $2.8 million of the purchase price covered plant and equipment, on which the company would take a [illegible] loss of about $1 million.

A shareholder claimed that the Petone property was worth about $20 million. It was described as a "magnificent site".

Perhaps he wanted it rezoned ond cut up for residentiol building sites, for sole at fancy elite suburban prices? With respect to the residents of Petone, the foreshore of their borough fails to impress potential buyers as a place in which to spend a substantial sum on a dwelling.

The first European dwellers 140 years ago soon packed up, complete with the strongbox of the ANZ bank's forerunner, and travelled across Wellington harbour to start onother settlement.

Various shareholders failed to understand that the company's land and buildings were being sold for a price in excess of government valuation, and that obtaining even government valuation for the site would be reasonable, in spite of its industrial classification.

The motion to approve the sale attracted an amendment "that it be referred back to the directors for further investigation of what is going on and appoint o committee to investigate". The omendment lapsed for want of a seconder, which shows the bulk of those present had some commonsense.

Directors and executives who fail to tell shareholders what is happening in their companies, or keep relevant financial information to themselves, have been criticised regularly here over the years. Gear Meat hos shared in that criticism.

Shareholders who receive the appropriate information, and either have no understanding of what it means, or do not acquaint themselves with the basic concepts behind the informotion, would do themselves and those who have to suffer their performances at meetings (including the journalists who hove no speaking rights) a considerable favour if they put their money in the Post Office, Government Stock, or the bank, and refrained from playing the role of little capitalist.

Equity investment is necessary in a mixed economy like New Zealond, and needs to be encouraged. That is one reason why directors and executives have a responsibility to inform, and sometimes to educate, the investing public.

Individual members of the investing public have an equal responsibility to refrain from throwing tantrums in class, and to do their homework. Otherwise they should stay at home.

Having expressed dissatisfaction at the performance of some shareholders it is time to look at the other end of investment – the people who buy and sell large blocks of shares in companies before ocquiring the balance of the enterprise.

The detailed half-year report to shoreholders of Challenge Corporation says Challenge received $1.20 for each share it held in the Haywrights retail chain. The holding was 42 per cent of the capital.

The total price was 3.45 million, "slightly above our original cost", so Challenge obtained a small capital profit. Payment is spread over two years, which reduces the effective return.

The private shareholders received $1.02 for their shares, a difference of 18 cents. Assuming a money cost of 20 per cent on half the purchase price for Challenge's holding, we can account for 10 cents of the difference. Where is the remaining 8 cents?

Is it an additionol sum to compensate for the loss of investment return above the cost of money? An answer to those questions would keep people informed. Given the information, we then apply the "acquaintance with the basics of corporate finance" mentioned earlier, and may see that everyone was treated effectively in the same manner.

But the Challenge interim report deserves commendation. The shareholders were told what happened to the various assets bought and sold since the June balance dote. Perhaps Ron Trotter and friends were listening out there, in between their own restructuring of the economy.

O'Brien on business

Wage rate index boosts cost structure data base

THE new index of prevailing weekly wage rates published last week is more than a convenient reference for the Public Service Association in it ongoing attempts to bring public and private sector payments together.

The index is the second stage in the reorganisation of information about the economy's cost structure. Stage one was the General Price Index, which is examined here each quarter.

The General Price Index measures input costs and output realisations for 24 industry sectors, including central and local government, but it excludes labour costs.

The prevailing weekly wage rates covers the same 24 industrial groups, and has the same base 1000 as at December, 1977.

An officer of the Department of Statistics told *NBR* last week that the classifications of industries in the wage index was "by and large as close as we can get" to the industries in the GPI.

They have the same names, but there is obviously a problem in an exact correlation when, for example, carpenters are employed in each of the 24 industry groups, rather than confined to "construction".

The "double-counting" apparent in the General Price Index, whereby one industry's outputs are part of another industry's inputs, is also a problem when relating the GPI to the wage index.

The GPI "food, beverages and tobacco" inputs include part of the agriculture sector's outputs, and are related to "forestry and logging", "paper, printing and publishing," and "chemicals, petroleum and plastics" industries, because the food industry eventually draws on those sectors for its packaging requirements.

The cost of wages in agriculture, when combined with the non-labour inputs, produces an output figure (factory door prices) which becomes part of the food industry's inputs. The addition of wages to other sectors from which the food industry draws its inputs gives the food group's total inputs before its own labour content. (Very complicated, but the economy is also a complicated machine).

But the ouput realisation of the base industries supplying the food industry include a margin, to which is added the food industry's own labour costs, plus a margin on its total inputs to give the final output figure.

Therefore the final realisations can include four or more margins on the labour content of the finished product.

The matrix becomes more complex when the food industry's outputs are translated to the inputs of the "trade, restaurants and hotels" sector, which in turn produces an output realisation to the final link in the chain — the consumer.

The end results are reflected in the various groups of the Consumers Price Index.

The GPI and the wage index are useful as illustrations of the economy's complex cost structure, by the time the products or services reach the consumer.

They also serve as a tough guide to possible future price increases at the consumer end, although the involved pass-on of input and labour costs throughout the chain makes any assessment subject to sizeable margins of error.

In a previous article on the GPI, I mentioned that the communications sector of the GPI in the December 1979 quarter was some indication of possible future movements in Post Office charges.

The Department of Statistics classifies "communications" as the Post Office, plus organisations in the private sector which have courier and answerphone services and similar activities.

The industry's inputs stood at 1354 in December, while its outputs were 1240, the latter being the subject of a jump in the third and fourth quarters when all Post Office charges were increased, although phased in at different times of the year.

The December year wage index for communications stood at 1175, compared with 1025 in December, 1978.

When that labour "input" is added to the input index in the GPI, and then compared with the output index, the pricing structure of the Post Office is slowly eroding.

There is not a direct relationship, because a substantial price rise can cushion some of the ongoing cost increase. A rough link can be seen, which indicates the likelihood of increased charges in the [...] seeable future, subject [...] political problem.

A similar result occur[...] "community and [...] services" industry. Th[...] cludes broadcasting, a[...] ing to the Statistics De[...] ment, and we all know [...] happened to the reque[...] increases in licence fees.

The input index wa[...] in March 1979, and 127[...] end of the year. Outpu[...] from 1130 to 1260. Th[...] index for the Decembe[...] year was 1243 compar[...] 1081 a year earlier.

Relate the wage index [...] input (excluding labou[...] dex and compare it [...] output figure, and [...] Broadcasting Council's [...] lems, which advertisin[...] come may be insuffic[...] overcome, resulting [...] "product" reduction [...] tionalisation.

That analysis is [...] because the comm[...] personal services in[...] many other [...] They regularly lift [...] their outputs.

The television [...] includes finance [...] commercial radio a[...] services) has remai[...] for five years, so the [...] difficulties are aggrav[...]

Imports crash in US car safety tests

IN ITS latest tests of crashworthiness of passenger cars, the United States National Highway Traffic Safety Administration found that only four out of 33 tested vehicles all American made — successfully passed the tests. No imported car tested passed completely.

The successful cars were: Plymouth Horizon; Dodge Omni; Chevrolet Citation; Ford Mustang; Dodge Magnum; and Chrysler Cordoba.

All but the last two are classified as either compacts or subcompacts. Joan Claybrook, chief of the Traffic Safety Administration, said: "We are pleased that . . . several newer small cars . . . passed every test.

"These cars, which were introduced into the marketplace recently, show a [...] level of concern about [...] in their designs than so[...] the older American and [...] reign small car models.

"But we are disapp[...] with the performance of [...] of the larger cars . . . that [...] the rear impact tests bec[...] they leaked fuel," she sa[...]

The cars were crashed [...] kph into a fixed barrier [...] carrying instrument-be[...] dummies. The cars were [...] struck from the rear wi[...] heavy weight to test [...] strength of the fuel tanks.

Of the 33 cars tested, [...] were from non-Americ[...] manufacturers. The mod[...] tested represent about 85 [...] cent of those cars manufa[...]tured in the United States [...] 40 per cent of those imported in 1978.

Manufacturing

Arts Council advocates recording commission

by Rae Mazengarb

TAXATION anomalies and discriminatory policies are hindering development of an industry, with a significant cultural base and potential for export earnings and import substitution, the Government has been told.

The Arts Council is urging that the 40 per cent sales tax on records — introduced in 1975 — be abolished, or largely reduced.

The result of two years' study by an Arts Council subcommittee — including council chairman Hamish Keith and performer Ray Columbus — the report deals generally with the financial state of the industry.

The study reveals that there has been little growth in the industry over recent years, and reports filed with the Companies Office show a continuing loss situation.

The Arts Council proposes a specific financial remedy — in addition to sales tax reduction — to aid the industry's development, and increase its investment capability in the production of records of New Zealand artists.

The council is not prepared to comment on the detail of a likely funding policy, but urges the Government to provide an investment fund of $381,000 annually for the next five years.

It recommends that a commission with a life-span of five years be established to administer this fund and prove the potential of the industry.

The report analyses the effect of the sales tax on profitability in a manufacturing industry dominated by six major record companies.

"As a result of recent financial returns, some companies have further increased prices to a retail price of $9.90 and this movement is expected to become general in the near future," it says.

But companies in recent years have been showing continuing losses.

New Zealand production of albums declined by 2.9 per cent between 1974 and 1978. In that period, production rose in the United States by 6.4 million (23 per cent) and by 22 million (22 per cent) in Britain.

"At present a total of only 6 per cent of the recordings sold are by local artists. Moreover it is clear that in recent years the variety of New Zealand recordings produced has narrowed, and that the growth and stability of the production industry as a whole has suffered," the report says.

One company, which five years ago had 15 artists on contract and two producers, today has four artists without the benefit of a full-time local production manager.

The report points out that as profitability diminishes, the manufacture of "minority" interest records — for educational purposes for instance — becomes difficult to sustain.

Using comparative costs, the report shows why the production of New Zealand artists is being discouraged. The cost of importing a master tape for an overseas production is about $200, but the all-up production cost for a New Zealand album ranges from $3000 to $15,000.

"As four cents must be received from sales for every one cent of production cost, the scales are heavily weighted against local production," the report says.

A New Zealand record must reach virtually gold-disc status just to meet recording and promotion costs.

Companies cannot afford to develop their artists through to their later albums, when the artist is sufficiently established to make some return.

The report points out that while studio facilities here are world class, the hourly rate — about $60 — is significantly cheaper than the Australian equivalent of $90 and the American of $150.

The report concludes that the manufacturing cost structure militates against the possibility of local talent gaining recording experience.

The council states the sales tax as "inequitable" because it discriminates against just one artistic group — a penalty not accorded other people engaged in similar activities.

New Zealand's 40 per cent rate compares with between 2 and 6 per cent in the United States, a level of 27 per cent in Australia (which still "continues to attract vocal opposition"), and Britain's VAT base rate of 15 per cent.

"The Arts Council recognises the need for Government to generate taxation revenue," the report concedes.

"Nevertheless the benefits of taxation revenue gained must be necessarily offset against the negative impact of overtaxing — that is to say against the loss of company revenue as companies move into a non-profit situation", and against the loss of jobs and export earning potential," it says.

Ironically, because overseas artists enjoy the bulk of local sales in the absence of an active local industry — and because royalty fees to overseas artists are based on retail price — the failure to encourage the local industry can only increase the flow of funds overseas.

The report points out that the cost of producing a record in a cover in Australia is about 75 per cent of the equivalent cost in New Zealand. But Australian companies receive a 50 per cent higher return than their New Zealand counterparts.

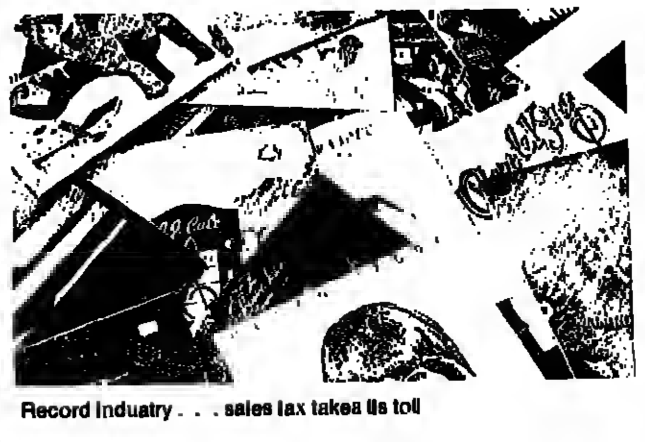
The council concludes that the "parlous financial state of the industry" can be attributed to the effect sales tax has on the retail price in New Zealand.

Noting that changes to the sales tax system "result from *ad hoc* variations to rates or exemptions without an overall strategy", the report points to the anomolies in the system.

"A book is tax free but the cassette of the book . . . attracts 40 per cent sales tax. Sheet music is tax free, tickets to listen to it are tax free, but if the same music is recorded it attracts 40 per cent."

In its arguments the council points out that today products such as film, wines, craft goods, inventions and activities such as tourism provide a firm cultural base for an export drive. . . .

"The increased emphasis by Government on the encouragement of tourism; the recent establishment of the New Zealand Wine Institute and the New Zealand Film Commission indicate a growing awareness of the economic potential of our cultural industries."



Record Industry . . . sales tax takes its toll

The recording industry has had no assistance, and its profitability has been drastically restricted, the report says.

Given that an infant industry policy is designed to allow a period to find its feet and ultimately to exploit local resources, competitively with the international market, the recording industry merits every consideration, since:

- The industry is at a take-off point;
- A top locally-produced album would save overseas exchange of up to $15,000 each week;
- A chance to reach international standards more readily could return to New Zealand millions of dollars in royalties;
- We have millions of dollars worth of production facilities — unused because of lack of risk capital;
- These facilities could be used by overseas groups, taking advantage of our cheaper rates (consequential promotional and tourism spin-off).

Turning to assistance options, aside from the sales tax reduction, the council points out that present schemes are inadequate for development purposes.

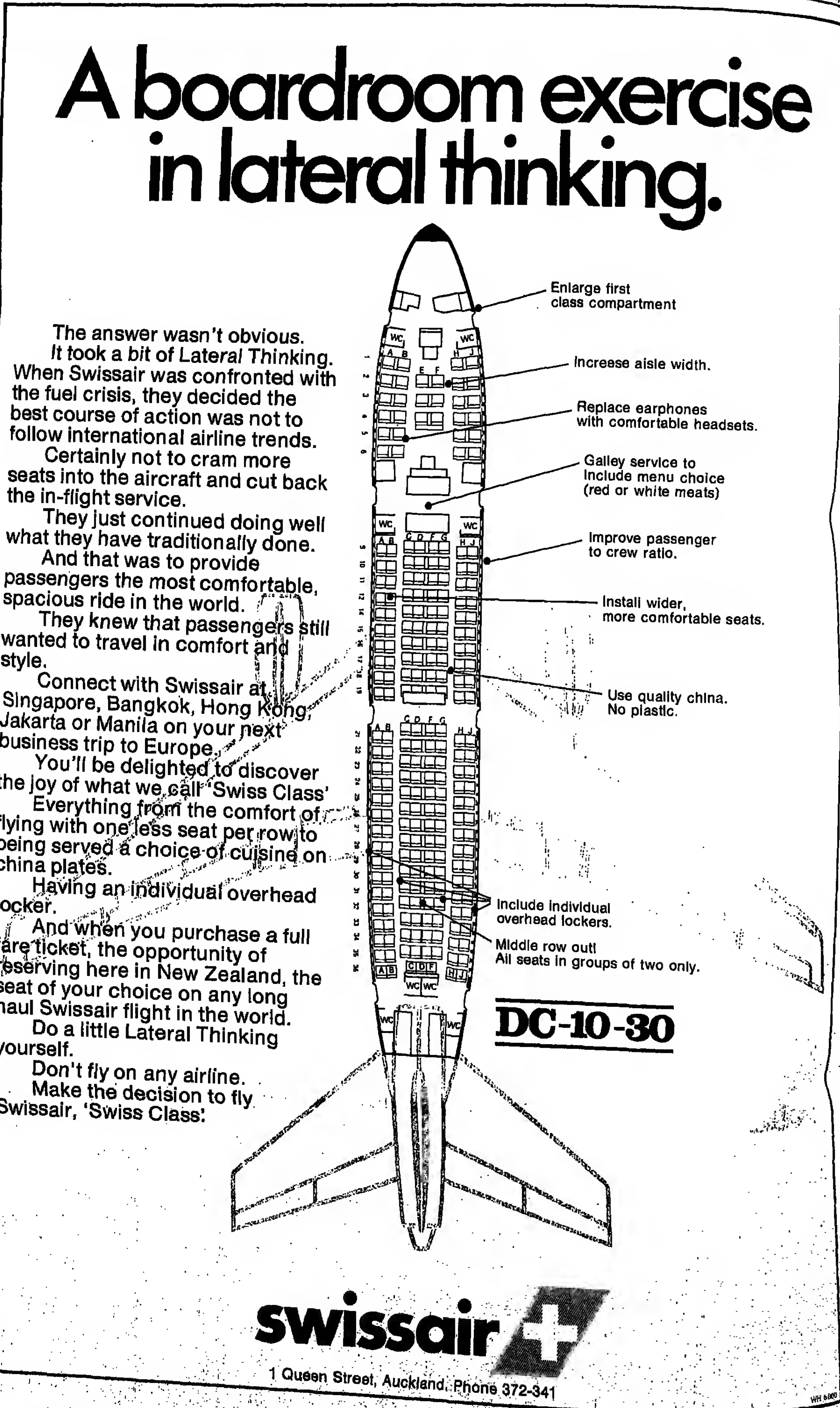
As an alternative basis for supporting our artists, it advocates greater opportunities for exposure than last year's 1.9 per cent of television time.

The development of "art in the parks" or similar programmes could provide significant new outlets.

On the more "vexed" question of quotas for local music on radio, while the council does not regard it as an ideal method of increasing local content, it might be necessary to adopt such a system, it says.

Advocating more than a "purely industrial approach", the Arts Council recommends the establishment of a Recording Industry Commission.

It suggests the commission consist of two industry members — appointed by the Minister of Internal Affairs; two members with experience in investment — appointed by the Minister of Trade and Industry; and one member with knowledge of the recorded music field — to be nominated by the Arts Council.



Du Pont explodes Tovex and plant into market

by Leni D Hunter

THE giant American chemical company, Du Pont is bringing a new vigour to local industrial marketing by setting up on New Zealand soil.

The multi-billion dollar enterprise is spending a relatively modest $5 million to set up the operation: building a plant to make its successful Tovex range of water-gel explosives, and establishing a firm base from which to aggressively market some of Du Pont's massive range of products.

The parent Du Pont, officially E I du Pont de Nemours and Co, based in Wilmington, Delaware, produces more than 1700 different products ranging from industrial chemicals and commercial explosives to textile fibres and electronic devices.

In 1802 Eleuthefe Irehéé du Pont, a chemist, arrived in the United States from France and started making gunpowder.

The efficient manufacture of such a useful product in warlike times guaranteed a huge business success throughout the 19th Century.

This century, the company branched out into widely diversified chemical products to service other major industries. The product lines range from sulphuric acid to high speed X-ray film: from synthetic fibres (Nylon, Dacron, Orlon, Teflon and Lycra) to paint, automotive finishes, packing materials and sporting goods.

Du Pont operates from 120 manufacturing plants and has more than 100 research and development, sales service and plant laboratories. It has 48 subsidiary, affiliated companies and branches in 35 countries and territories.

In 1978, world sales reached $10,584 million and net income was $787 million. Du Pont employs more than 130,000 people.

Du Pont (NZ) Ltd has been set up with a small paid up capital of $400,000.

Together with the Australian subsidiary, and the extensive Far East operation, the company here is an important addition to the sales network covering Asia and the South-west Pacific.

Coming here to do its own selling has meant Du Pont dropping tha sales tie-up with Neill Cropper & Co Ltd, a subsidiary of J Wattie Canneries.

Croppers have been marketing Du Pont agricultural chemicals for more than 20 years and will continue to provide warehousing facilities for at least the next 12 months.

J D Dunlop, an executive of Wattie's, is serving on the board of Du Pont (NZ) Ltd.

The loss of the agency for Du Pont products is a serious setback for Croppers, which recently lost another major agricultural chemical supplier, Stauffer Chemicals of the United States.

A spokesperson for Stauffers declined to give reasons for the withdrawal of the franchise (from February 1) other than "marketing reasons".

A spokesperson for Croppers, Pat Green said the loss of Du Pont and Stauffer was obviously detrimental to the company's operations. He declined to discuss future operations of the company.

A check of the Croppers 1976 catalogue shows that with Du Pont and Stauffer chemicals removed, and the loss of the various hormonal preparations 2 4-D and 2 4 5-T which Croppers have not handled for 18 months, agricultural chemicals offered by Croppers is down by two-thirds.

According to a source on the Du Pont side, the time had come for Du Pont to inject its own brand of super-sales energy into the growing market for its products.

The source said: "It's not that Croppers did a bad job, it's just that the Du Pont marketing philosophy is different."

An early move has been to push Krenite weedkiller for its short summer selling season. A new ad agency was hired, a TV campaign mounted and Krenite has increase 30 per cent in sales since company operations began in November.

The Krenite product is said to be far more effective and safer in killing blackberry than the frequently used 2 4 5-T.

However, it does not compete with 2 4 5-T in killing gorse.

Setting up here, reportedly cost $5 million this year and includes taking over the 5th floor of the plush National Mutual office building in downtown Auckland at $6.50 a square foot.

Office fittings, vehicles and equipment, and a computer is reported to have involved an expenditure of about $2.8 million.

The building of the explosives plant in the Kaimai Ranges of the North Island is reported to be costing at least another $1.7 million.

Du Pont is still a major manufacturer of explosives (it owns 70 per cent of the Remington Arms Co) but in 1977 it stopped making dynamite in preference to the water-gel type of explosives which are safer to handle because of the absence of nitro glycerine.

The Tovex water-gel explosives have been imported since 1970 for use in quarrying, tunnelling, road building, mining and construction.

Under current regulations here, it is restricted from use in coal mining – because of the temperature of detonation – pending tests in Britain and Germany.

The tests are expected to clear Tovex for such use, resulting in a substantial sales increase here.

In the first year, Du Pont estimates a production of 500 tonnes. At first all raw materials will be imported but with the development of energy and associated chemical resources in the New Plymouth region, the company will be looking to local supply.

Replacing imported explosives with local manufacture is expected to save $1 million a year in overseas funds.

A company spokesperson said stringent safety precautions are being taken in all aspects of the manufacture, transport and storage of the explosives.

Only a fraction of the 180-hectare site (about 2 per cent) will be used for the factory and storage areas, the remainder will be safety zone used for grazing.

The spokesperson said that more than .5 million tonnes of the explosive had been manufactured world-wide and th had been not one accidental explosion in transport and handling.

No detonators or percussion caps will be manufactured on the site.

Other plants manufacturing Tovex are in Australia, Brazil, Canada, Chile, Japan, Mexico, South Africa, Switzerland and the United States. Plants are under construction in Hong Kong, India and Italy.

The company is putting energy into its public relations to emphasise its concern with safety at the plant and its effect on the community.

The plant manager, Al Dunklee, has been dealing with official and public questions on environmental safety and a leaflet detailing the proposal is being distributed.

Safety generally, has apparently been a big thing with Du Pont, right from the beginning with the risky manufacture of gunpowder.

The 45 employees in Auckland (rising to a total of 60 when the plant is operating) regularly get lectured on safety in all areas.

Internal organisation in the subsidiary covers six separate product areas combined into three separate marketing divisions.

General Products Division I covering explosives and plastics, is headed by Walt Partridge, an American; General Products Division II covers chemicals dyes and pigments, X-ray materials and textile fibres and is headed by Harry Mitchell, an Australian. The third marketing division, headed by Charles Proud, deals exclusively with agricultural chemicals.

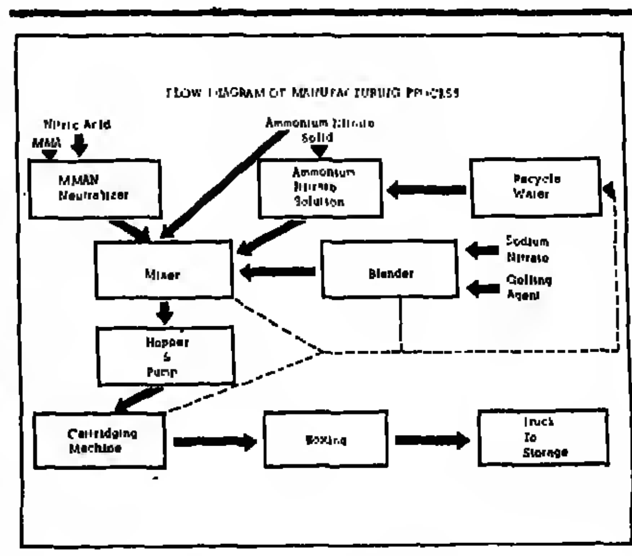
Apart from Krenite, the agro-chemical division is pushing hard its other, already successful, chemicals, Velpar weed killer, Benlate fungicide and Lannate insecticide.

General Products Division II expects further expansion in the market for paint pigments, including titanium dioxide and specialty industry chemicals such as anti-static fluids for protecting carpets.

The chief executive here, Peter A Scott, told *NBR* the main thrust of the operation was the new explosives plant but the company would be looking for new marketing opportunities and possible local manufacture.

The Du Pont operation in Australia started 15 years ago in much the same way.

It has grown from one plant to an extensive operation covering the finishing of photographic products, plants for the formulating of pigments and agrichemicals and a second explosives plant.



Giant meets resident resistance

FARMERS and Matamata district have objected to Du Pont's proposal to build an explosives plan on the grounds of possible dangers transporting chemicals to and from the site.

A committee of five councillors heard objections from three individuals, a petition signed by 40 people and submissions from Tauranga Federated Farmers and ICI New Zealand Limited.

But it approved Du Pont's application subject to 11 conditions.

Plant maneger, Al Dunklee said that some of the conditions had been suggested by Du Pont.

Conditions to be met include not moving explosives during the periods of school bus travel in the area, no detonation of explosives on the site, observance of clean air regulations and substantial financial contribution to the up-grading of certain local roads.

He said that when final approval was granted, tenders would be called and construction could begin in May, with a completion date six to eight months away.

Admark

INL awards take off

by Grev Wiggs

OGILVY & Mather, Colenso Communications and D'Arcy-MacManus and Masius amang them scooped up seven af the cight awards made at the INL newspaper advertisement of the year awards contest.

Ogilvy & Mather, Wellington, with an entry of a Shell Chemicals ad won both the agricultural and horticultural section and the coveted "Chairman's award," which carries an invitation to send a member of the creative staff to the renowned Chicago Art Directors Workshop.

The same three agencies provided 26 our of the 42 finalists in the various categories. No awards were made in two of the sections.

The inaugural contest got off to a good start with a total of 423 entries. Even so, it seemed that some agencies had failed to anticipate that the competitioa would emerge with full-blown status at its first attempt and did nat supparl it as enthusiastically as they might have. Next year's competition should draw a greatly increased number of entries.

Judging panel chairman Bryce Courtenay, af Sydney, told *Admark*, "New Zealand is lucky to get off with an award system as good as this – it generally takes years to get properly under way. INL set it up and ran it properly. These awards will become important and sought after."

Courtenay described the standards as "surprisingly high" with the best entries as very good indeed. "Other countries have little to teach New Zealand," he said.

The presentations were made at an evening function attended by a large, representative and enthusiastic audience. And the function was conducted with efficiency and style from marching girls, trumpet fanfares, and Prime Ministerinl handahakes to the cabernet sauvignon and the camembert.

As a dramatic finale, guests left with a 24-page newspaper which detailed all the results and repraduced entries which made the finals.

The awards for 1979 are:

- Agricultural and horticultural advertising: Ogilvy and Mather (New Zealand) Ltd, Wellington, Shell Chemicals New Zealand Ltd;
- Automobile automotive equipment, transport: Ogilvy and Mather (New Zealand) Ltd, Auckland – Mazda Motors NZ Ltd (Mazda Ute);
- Entertainment and travel: Colenso Communications (Wellington) Ltd, British Design and Art Direction Awards Exhibition;
- Food, drink, tobacco products: Colenso Communications (Auckland) Ltd – Montana Wines Ltd (Ormonds Hassendean);
- Household furnishings, electrical and fuel driven household equipment, home improvement: D'Arcy-MacManus and Masius Ltd, Wellington – Interlock Industries Ltd;
- Office equipment, finance, insurance: Newson Lodge and Associates, Auckland – Capital Life Assurance Ltd;
- Campaigns: D'Arcy-MacManus and Masius Ltd, Wellington – R A Bell-Booth Ltd (Maxicrop);
- Chairman's award: Ogilvy and Mather (New Zealand) Ltd, Wellington – Shell Chemicals New Zealand Ltd.

Global span benefits Lintas

ONE benefit of being part of a global organisation is that you can generally latch on to someone, somewhere, who has the answer to a particular problem. Resources of knowledge and experience are deep and widespread.

When David Murphy, agency head of SSC&B:Lintas, sought to tap in on some specialised overseas know-how, the company produced none other than the chairman of Lintas:London as the problem-cruncher.

Now Lintas have a belief that the best form of communication is the jet. And that is how Tim Denehy came to spend a long week-end in New Zealand.

In his three day stay, Denehy had time to translate his experiences into New Zealand conditions ("there are a great number of similarities"), brief Auckland and Wellington staffs, confer with clients and prospects, submit to an interview for *Admark* and, presumably, put the final polish to an address he was due to give three days later in London.

With a $NZ[illegible] million turnover, Lintas was 13th in the billings pecking order in Britain in 1979 but "we hope to make that 7th this year," says Denehy.

The years 1976, '78, '79 were phenomenal growth years in advertising, Denehy said, even though last year was marred by a three-month television strike. In 1980, with inflation running at 19.1 per cent, the British advertising industry will be hard pushed to show any real expansion.

One of the growth areas in northern hemisphere advertising is governmental spending in communication. In his role as a member of the Lintas international board, Denehy experiences this first hand, both in Britain and in Europe.

Lintas:Paris undertook the French energy campaign and the 16 million tonnes of oil saved in 1978 was partly attributed to this advertising.

Lintas:Hamburg mounted an energy saving campaign for Germany and the translated slogan, "Energy saving – our best energy source" has a familiar ring.

Lintas: Stockholm was responsible for the communications campaign dealing with the referendum on nuclear power conducted this month.

There is an increasing desire on the part of governments to communicate through advertising, Denehy said. Advertising, which is campaign based, monitored and produces results which are checked for effectiveness, is an effective use of public money.

Retail advertising is keenly sought after by agencies. Of the top 10 advertising accounts in Britain, nine are retail and all but one of these are handled by an agency.

Denehy says his board regards the Pacific as one of the most important areas in the world. Lintas is now in Hong Kong, Malaysia, Philippines, Thailand and Singapore and is planning a joint venture operation in Japan with Hakuhodo.

"Our growth in this area is continuous and impressive," Denehy told *Admark*. "It has to be based on local accounts for, to secure your share of international business, you must be very good in your own marketplace."

Press coverage of advertising his very high in Britain – better than any country other than America. It is starting to seep through, he said, that advertising volume is a key indicator of the health of the national economy.

As a result, there is more recognition from business that advertising is an effective marketing tool and an essential part of the communication process.

Runners reap their reward

IF THERE were a prize for the magazine publishing phenomenon of the year, then 1979 would have to be awarded to the *New Zealand Runner*.

You would have to nominate as winner a 74-page magazine, covering a minor sport yet with a 10,000 circulation, with a cover price of $1.25 ... all achieved in an 18-months time span.

The sport of athletics – track and field if you prefer to be more formal – does not enjoy a strong power base.

Excluding children, registered athletes number only a few thousand. Apart from the royal family of Kiwi runners – Walker, Dixon, Quax – the general public would be hard put to name any more athletes. There are only six. And if a New Zealand team goes to the Olympics there will be no more than a dozen athletes in it.

The sport of running, however, is enjoying a boom. Pavements and parks are filled with the flitting figures of joggers, the long, the short, the lean, the fat, in pursuit of fitness and enjoyment.

Run for fun events draw entries of tens of thousands, huge even by world standards, and the participants include not only both sexes but all age groups from pre-teens to grandfatherly seventies. Sales of running shoes and gear are so buoyant that specialist shops are opening to cater for the demand.

It is against this background that a new glossy magazine was launched to meet the interests of athlete and jogger alike.

By all the signs and portents it had to fail. Rugby and tennis glossies had tried and lost.

Tim Chamberlain, a 30-year-old Canterbury graduate, ex-advertising rep and athletics fan, with no experience in publishing but a yen for it, was an unlikely candidate for success in such a recondite field.

The *New Zealand Runner* was started in June 1978 on a bi-monthly publication schedule. It achieved a standard of presentation comparable with its overseas contemporaries, with in-depth features, interviews and a goodish sprinkling of colour. The promised advertising support was not forthcoming for the early issues but now is solid.

With a change to web offset last year when the print run exceeded 10,000. Size expanded to 68 pages, 12 in full colour.

Now circulation is starting to build in Australia and subscriber mailings go to 15 countries.

The policy of catering to fun runners as well as serious athletes is succeeding.

Just a small point for editor/publisher Tim Chamberlain. There is no such thing as the "Pan Pacific Games". Val Robinson won her silver medal in the Pacific Conference Games, Tokyo, 1969. I know, because I was there cheering.

Primary industry

Research unit's help for blossoming industry

by John Draper

AMONG the Government's *Growth Opportunities*, horticulture rates as one of the fastest-growing export earners.

At today's prices, exports are expected to treble in a decade as new markets and products bear fruit.

The industry is already export orientated, largely because of the export incentive scheme and the skill in finding markets for the produce of a diverse range of growers.

Boysenberries, strawberries and, more lately, kiwifruit and blueberries can earn up to 100 times the yield of traditional pastoral agriculture from the same land and are attracting investment from outside the farming sector.

But development has been individualistic with little thought of eventual markets.

Blueberries were planted in the last few years with little idea of where the fruit would be sold in five years when the plants matured.

Feijoas are being tipped as another "kiwifruit" – money growing on trees – but the varieties being planted are not the most suitable for export, according to DSIR experts.

To overcome the lack of market knowledge, Government allocated funds for a horticultural marketing unit in 1977, to operate under the wing of the Export-Import Corporation.

The proposal received a chilly welcome from the Horticultural Export Symposium in 1978 and the unit was redesigned to act as the Horticulture Research Unit, concentrating on the broader issues of land use, information services, finance, incentives, research, grading, packaging, transport and promotion.

As a result, the research unit is for the whole industry rather than for individual products.

Five research programmes are under way. The first berryfruit report is already complete and published.

Transport and packaging are being researched with the object of writing a packaging handbook for growers who often expect an instant solution to their problems of getting produce overseas in a suitable container.

Processing and promotion will complete the programme.

Transport is a major problem for exporters. Europe is the largest market for all horticultural produce – about 40 per cent – from cut flowers to apples and pears, and is the most difficult to supply.

Unit director Paul Miller says transport is the area in which New Zealand must do its own research. "No other produce exporter faces the same problems as we do," he said.

Ideally the research, now co-ordinated by the Horticultural Export Development Committee – administered by the Ministry of Agriculture and Fisheries – will develop the controls necessary for cheaper sea freight to be used for produce like strawberries which can only go by air.

But in the long term, Miller says, the solution may be to concentrate our exports in the Pacific Basin, particularly as long distance freight rates escalate.

Work on promotion has already begun with the commissioning of a survey of produce importers and merchants on the West Coast of America. "What," the questioners asked "is the image of New Zealand as a supplier of horticultural produce?".

Miller says the answers ranged from "I thought they only produced lamb and wool down there," to asking for quotes on various lines.

The likely conclusion of the promotion report will be advocating the development of a New Zealand brand for horticultural exports.

Israel, where Miller has recently been to study the aggressive marketing tactics of Agrexco, sells under the Carmel brand throughout western Europe.

Agrexco's recommendation, Miller says, is for this country to adopt as its own brand, "Kiwi Produce", or something similar.

The single brand would never stop the weak seller undermining other exporters, but it would bring the industry together, setting standards and developing an image, Miller says.

The unit – which comprises Miller, researcher Phillipa Dunphy and a typist – is a fact-finder, Miller says, not a decision-maker.

On processing, the facts are fast becoming clear. To beat the tariffs on sugar and processed fruit products – imposed by many developed and developing nations – yoghurts, ice creams, cheesecakes, pie fillings and other processed fruit products will be most advantageously undertaken in joint ventures.

And the indications already seem to match the Dairy Board's desire for greater downstream processing of milk and the development of more consumer products.

Joint ventures between the board and the horticulture industry, say in Singapore, are possibilities that are likely to be investigated by both.

When the initial five studies are complete, the unit is likely to look closely at specific markets and the opportunities offered, Japan and South-east Asia in particular.

Vegetables, an export overlooked amongst the more exotic kiwifruit and blueberries may be an equally important export earner.

Prize money increases for management game

THE winning, and other three teams, in the finals of the International Computers Business Management Game 1980 will receive higher prize money than the finalists of previous years.

The new administrator of the ICL Business Management Game, Jane Thomas, says the winning team will receive a cheque for $1200 while the other teams in the final will receive cheques for $400 each.

"The members of the winning team will also receive copies of *NZ Business Who's Who*, and all members of the teams contesting the final will receive subscriptions to *National Business Review* and suitably inscribed leather-bound planner diaries," she says.

International Computers runs the game annually in association with *National Business Review* as a training service for business people.

Last year more than 240 teams entered the first of the four rounds. The final four were a team from General Foods Ice Cream Division in Auckland, a team from the Waikato University Economics Department, a team of business people from Upper Hutt and a team of chartered accountants from Dunedin.

Teams act as a board of executive directors making decisions on prices for their product, production levels, marketing expenditure, transport supply, research and development, the employment of consultants and other facets of a large manufacturing business. At the end of each round of six or eight decision periods, the winning team in each game is the one with the highest operating profit.

Three of four teams compete in each round, and the game computer model is designed so that their decisions interact with those of the other teams, to provide a realistic competitive environment.

The teams' "board decisions" are sent to ICL on a standard form each fortnight in round 1, and each week in rounds 2 and 3, for processing on the ICL 2904 computer.

The four teams which get through to the final at the end of the year will have the more gruelling prospect of making eight decisions at 40 to 50 minute intervals.

"Contestants in previous years have said they found the game a valuable training exercise, and that it had the added advantage of being a lot of fun to play", Jane Thomas says.

The 1979 winners had not played in the management game before, and "prospective new entrants should not be put off by lack of previous participation."

Overseas trade

Trade war festers on steel, textiles and dumping

by Matthew Symonds of the *Financial Times*

DESPITE loud official danials, tha signs are that Iha European Community and the Unitad Statas are sliding into a trada war. Tha problam is that although nobody wants to give way in tha faca of growing protactionist pressuras, the argumants of cartain key industrias for a spot of protectionism are currently rathar powarful.

AT A time when the United States is doing its best to drum up European Community support for a tough line against the Russian invasion of Afghanistan, there is a real possibility that we are witnessing the opening shots of a trans-Atlantic trade war.

Officially, to talk about a trade war is "sensationalist" and "hysterical". Talks between the American special trade representative, Governor Reuben Askew, and senior EEC trade officials were recently described as "close and friendly". Askew's trip to Europe was billed as no more than a "familiarisation visit".

On the ground, however, the mood is different. While British Trade Secretary John Knott lets it be known that there is definitely no trade war, director-general of the hard-pressed British Textile Employers' Association, Bob Lloyd-Jones says: "We are already involved in a trade war and the sooner we stop kidding ourselves about it the better."

The problem is that although the United States Government and the EEC Commission are determined not to give way in the face of growing protectionist pressures, the arguments of certain key industries for a spot of protectionism are currently rather powerful.

At the centre of the present United States-EEC row are man-made textiles.

On the day Askew arrived in Brussels, the European Commission gave Britain permission to impose import quotas on polyester filament yarn and polyamide yarn for carpets imported from the United States.

During the last year the British textile industry has taken a terrible pounding from the lower-price American competition. At a time of falling consumption the United States has pushed its market share from less than 4 per cent in 1977 to almost 30 per cent today.

In the last three years employment in the sector has fallen from 35,000 to 27,500 and in recent months several thousand more redundancies have been announced by companies like Courtaulds and ICI.

The Americans claim that the reason they have been able to undercut the European manufacturers — although it is the British who have suffered most so far — is the sinking value of the dollar and the productivity advantages of the American companies.

The average American polyester plant, they claim, has a capacity of 112 million pounds a year against 52 million in the EEC, which contributes to output-per-employee figures which are almost double the European average.

Not so, say the Europeans. They claim that the Americans enjoy an unfair advantage because regulated oil prices in the United States mean that American companies have access to artificially low-cost feedstocks. The Americans argue in reply that only 2 or 3 per cent of American fibres can be traced back to price-controlled raw materials.

According to the calculations of Cirfs (the European synthetic fibre producers' lobby known by its French acronym), the American cost advantage at the end of last year was $250 for every tonne of polyester staple. That adds up to a price advantage over Europe of 15 to 25 per cent.

Nor are the Europeans reassured by Britain's import curbs or Italy's 28 per cent anti-dumping duty.

They agree with the textile unions and employers that the quotas are inadequate.

They think that under the EEC's free trade rules the Americans will simply shift their exports, first to France and then Germany.

It is on the cards that the Europeans will be pushed into slapping on EEC-wide quotas. If that happens it seems certain that the Americans will retaliate, as they already show signs of doing, by attacking Britain's wool fibre exports to the United States under Gatt's Article 19.

(Gatt Article 19 is the so-called safeguard clause which allows emergency measures to limit imports of particular products when they threaten serious injury to competing domestic producers. Further talks on Article 19 are due to be held soon as it is one of the key issues which was not resolved during the recent Tokyo Round negotiations.

The Americans are likely to claim that the British invocation of 19 was unjustified, which leaves them to open to retaliate or seek compensation.)

If the United States does decide to strike back at Europe, an initial target is likely to be steel. It may not even have much choice about it as the other day the United States Steel Corporation was due to file an anti-dumping suit against EEC steel imports.

What has happened is that the trigger price system designed to ensure minimum prices for imported steel, set up under the Solomon plan in 1977, has not really worked.

The problem is that the trigger price is based on the prices of the most efficient Japanese steel producers. With the plummeting value of the yen, European companies have been able to sell above the trigger price in the United States, but more cheaply than they do in their home market. And that, say the American steelmakers, is dumping.

According to Mr David Roderick of United States Steel, at least half of the 16 million tonnes of steel imported by the United States last year was dumped and if the Government will not introduce a second trigger price, based on European rather than Japanese minimum prices, the steelmakers will clog the bureaucracy with anti-dumping complaints until the trigger system collapses.

The steelmakers are also demanding a range of other concessions, from anti-pollution law relief to a package of fiscal dispensations to permit badly needed capital investment.

In an election year the President will be keen to limit the number of closures in the uneconomic 25 per cent of the industry.

The final decision on United States Steel's anti-dumping action will probably be taken by the President in June. It will be touch-and-go which way he makes up his mind and he will be watching EEC action on fibres.

In the meantime EEC steel sales will probably be hit because of years of back-dated anti-dumping duty.

If the damage could be limited to rows over steels and synthetic fibres it would be bad enough, but once you start making trade war noises there is a danger of the action escalating to take in a lot of other industries.

There is a risk of a return to the chicken war of the early 1970s because the Americans complain that the Europeans are not honouring their Gatt undertaking not to poach on traditional American poultry markets in the United States.

European targets or retaliation could be anything from French brandy to Danish ham.

Then there is the hammering the American shoe industry has taken from the Italians.

Last year the Italians sold 97 million pairs of shoes in America, an increase of 50 per cent over 1978. The Italians claimed that the rise was due to the fashion craze for "Candy" sneakers and would not last.

They only sold 10 million Candys and sales of Italinn shoes are still rocketing. The demand for import controls will prove difficult to resist.

On the European side the chemical industry is being hit hard by cheap American imports thanks to the same artificially low oil prices which have disrupted the fibres.

Although the Council of European Chemical Manufacturers' Associations looks like holding a meeting this month to discuss cut-price styrene imports, it is recognised that there is not much the Europeans can do other than press for quotas.

Everybody recognises that in a trade war nobody wins except a few special interest groups who may get breathing space. But the conditions for one are there.

Last year the EEC's trade deficit with the United States doubled to $12 billion. That means that European demands to end the cheap energy advantage of American goods will not go away. Equally American retaliation is virtually inevitable.

The Australians

Tribunal takes hard-line

TOUGHER action against Australian companies that give misleading warranties and guarantees has been foreshadowed by the Trades Practices Commission.

The commission said that in the next 12 months it would systematically examine the warranty documents covering the majority of consumer goods.

Late last year it began monitoring guarantees, starting with motor vehicles, and found objectionable clauses. According to the commission, some companies are misleading the public about their rights under consumer protection laws. Some warranties have wide exclusions of liability.

The commission recently said: "While clauses that exclude consumers' statutory rights are, as a matter of law void and of no effect, they are still objectionable, because consumers do not know they are void."

But the public often accept this untrue denial of liability and believe they have no option but to acquiesce to the company's decision. The commission has warned companies that the Trade Practices Act prohibits false and misleading statements about consumer protection laws.

As an example it gave: "All other conditions and warranties, statutory or otherwise, and whether express or implied are hereby excluded and no guarantee other than expressly herein contained applies to the machine to which this guarantee relates."

This statement was simply not true, the commission said, but would nevertheless be assumed to be true by many consumers.

The New South Wales Government is also taking action to protect consumers. Minister for Consumer Affairs Einfeld said the Government is planning to introduce legislation to place a warranty on every item sold in the State.

The proposed legislation will transfer the onus of replacing faulty goods or refunding customers, from the retailer to the manufacturer. The effect of the legislation would be that any claim made by manufacturers in advertisement or literature would be considered mandatory in law.

There is apparently widespread opposition among NSW manufacturers to the proposed legislation and informed trade sources predict that many goods may be withdrawn from sale in NSW if the legislation is passed.

Vegetable oil magnate: an enigma seeking state funding for new refineries

PARAGUAY, better known for its corrupt dicatorship, suppression of human rights, Nazi fugitives and subsistent living conditions also has millionaire multi-national-investors.

It was the refuge of former fugitives Thomas and Alexander Barton whose business empire crashed with losses by Australian investors of millions of dollars.

Wealthy ranchers and landlords own 77 per cent of the country's land and use Indians as cheap labour to farm and develop it.

One third of Paraguay's 2.5 million people have fled the regime to neighbouring Brazil, Bolivia and Argentina since President Stroessner seized power in his 1954 military coup.

From this backdrop emerges Shrian Oskar, self-confessed multi-millionaire and pledged conquerer of the Australian vegetable oil industry.

Oskar is a short, swarthy character born in Paraguay, October 28, 1939, the son of Dr Barrios Oskar and his wife, Dr Maria Espinoza.

According to Paraguay's Charge d'Affairs in London, Snr Alfredo Canete, who has written a personal reference for Oskar; "he is a member of a wealthy land-owning family which came to Paraguay from Switzerland in 1798, and is one of the most influential families in South America."

The reference says that in 1974, "Dr Oskar's own personal wealth was estimated to be in excess of $US 20 million".

The "Dr" refers to an honourary doctorate Oskar received from a Paraguayan university. If awarded in person, it must have been

Peter Wilkinson ... approached by Oskar

awarded to him when he was quite young, for according to the reference, Oskar has visited Paraguay only once since 1971. That was on July 20, 1977, when he returned to renew his identity card, required by law every 10 years. Oskar claims he was educated at Harrow School, Middlesex and the London School of Economics.

The headmaster's secretary at Harrow says no pupil by the name of either Shrian Oskar or Oskar Shrian has ever attended the school in the 35 years he's been on the job.

The London School of Economics can't find either of the names on its graduate or former student rolls, and the University of London's central registry cannot trace the names.

Despite the fact that Oskar has not lived in Paraguay for at least nine years, (according to his claims) and spent other years receiving his education at Harrow and the LSE, he has nevertheless been closely enough in contact with the Paraguayan government to have been given a character reference from the chief of police in Asuncion, and a passport — few are issued each year.

Says the London Charge d'Affairs: "I do not know many other Paraguayan citizens who have received this certificate" (character reference).

Oskar also admits he is a "personal friend" of Coronel Pastor, chief of the dreaded secret police.

Said Oskar of Pastor during an interview: "Nobody has ever been able to photograph Coronel Pastor - only some female who got shot".

"A lot of reporters wanted to have reports made, the BBC and all these things. So please, don't mention his name . . . don't ever dream of going there because the answer is death".

According to a *Los Angeles Times* story published in June last year, Pastor helps protect the "Latin Connexion". The United States Drug Enforcement Agency says it is a heroin and cocaine syndicate run by former Nazi's under Paraguayan protection.

Oskar claims he has $10 million in timber interests in Paraguay and a mill he bought from the British Government for £800,000 before he got into the vegetable oil business.

But of Paraguay, he says: "It is not nice to live in that country, despite the wealth we have. You don't know who is going to be the next president. (Stroessner was re-elected for the sixth consecutive time in February last year with 89 per cent of the vote), and who is going to knock at your door".

With his vast timber holdings, Oskar has a good knowledge of who's doing what in Paraguay's forest industry.

In May 1973 Sydney financier Alexander Barton, and his son Thomas, left Brazil for Paraguay. On August 12, 1973 they became naturalised citizens.

And Alexander Barton invested in the timber business. He bought a 40,000 hectare hardwood "station" - a forestry holding - and was said to have acquired the largest milk produce company in the country.

Oskar denies he ever knew the Bartons and during an interview, asked who they were.

"Just for my general knowledge, who are these Bartons? Oskar said when asked if he had any association or dealings with them in Paraguay.

When told who they were, he said, "ah, Paraguay, now it rings a bell.

"The Bartons, they went to Paraguay and wanted to bribe everybody, but they had no money. Let me be frank with you. There are Nazi criminals in Paraguay, there are every form of criminal in Paraguay, but Paraguay likes criminals with money, but not talkers, and these Bartons, they ended up in the wrong place at the wrong time.

"They had no money — nothing at all — and they paid some immigration officer to buy some passports and the immigration officer was dismissed and the government handed them over to Australia, despite the fact there is no extradition treaty.

"The Paraguay police wanted to put them (the Bartons) in prison for 20 years and they cheated people in Paraguay . . . the Paraguayans were very happy to get rid of them" Oskar said.

Oskar denies he ever knew or had any association with the Bartons.

Since 1971, Oskar has lived in Hampstead, London and maintains an office at 93 Grosvenor Street, London, which he uses as a mailing address.

He does not conduct business in Britain, but operates through a number of companies based in tax havens in Europe and Africa.

Two of his companies, Shrian Establishment and Shrian Management, are registered in Vaduz, the city of the principality of Liechtenstein.

Shrian Establishment loaned Oskar's wholly New Zealand, Kaipara Edible Oils Refinery Ltd $US800,000.

Another company registered in Monrovia, Liberia, Sunflower Investments Ltd bought Oskar's 600,000 shares in Kaipara.

It then sold 100,000 of it to his Australian holding company, Food Industries Holdings (Pty) Ltd in exchange for 100,000 of the company's shares.

Oskar says he made his wealth and was not started in life with family money.

Not all his ventures have got off the ground. For example Fiji Poultry Ltd of Suva became a $1 million loss maker for Citibank. It was established in 1976 by British food conglomerate Imperial Foods Ltd of London.

Oskar and his former business partner Charles Fry (who quit Oskar because, he says, "I didn't find him the kind of person I cared to work with") subsequently took an interest in the venture.

Oskar became principal shareholder with 263,999 $1 (Fijian) shares. The company's chairman was Fiji's Minister for Agriculture and Fisheries, the Hon Charles Walker — who has resigned.

On March 30 1979 the company collapsed owing more than $2 million (Fijian) of which almost $1 million was owed to New York-based Citibank. The bank which later closed its Suva office.

Fiji business sources say tribal trust money invested in the ill-fated venture by some government ministers was lost.

Said Oskar of the collapsed venture: "I don't like eating chicken, I'm not a chicken man — that was a mistake from which I learnt".

Imperial Foods Ltd has fallen out with Oskar since. On May 17, last year, its directors came up with this statement: "We are in dispute with Dr Oskar over a number of points and are taking legal action as a result".

Oskar blames his former partner Charles Fry, for the Fiji Poultry disaster. "It was a result of his goodwill. Since then I have not cared much for his investment advice because on the basis of his advice, Citibank put up the money" Oskar says.

From London, Fry says: "If he is still using my name I shall be extremely angry".

There are many common features to Oskar's proposals to set up his vegetable oil refineries.

Plant and machinery for the Bunbury refinery, the Kaipara Edible Oils refinery in New Zealand and the proposed Adelaide refinery has been or will be supplied by the same British and German manufacturers.

They are Penwalt Ltd of Surrey, the International Electrolytic Plant Company Ltd of Wales, A Johnson and Co (London) Ltd and Extracktionstechnik GMBH of Hamburg.

Each of Oskar's deals is based on a "turnkey" concept and seeks a large degree of government support in the establishment stages.

He succeeded in gaining West Australian Government support and is attempting to interest the South Australian Government at present.

He failed to get any support from the New Zealand Government. He applied to the Rural Bank - which funds this kind of project at low interest rates but was rejected. He then tried a number of commercial banks, including the ANZ, but had no luck.

Oskar's vegetable oil ventures are proposed on the premise that they will result in a local, self sufficient oilseed industry.

Each proposal initially depends on imported crude oil stocks.

Later, plans are usually announced for the establishment of oilseed crushing and extraction facilities. The submissions Oskar made to the West Australian and South Australian governments included the possibilities of establishing oilseed cropping and extraction.

One of the conditions the West Australian Government attached to its support of the Bunbury refinery was that investigations be made within 12 months to establish the feasibility of a sunflower cropping industry.

A common feature to Oskar's vegetable oil refinery projects are bulk storage oil tanks located near wharves for accepting bulk deliveries of crude and processed oils. Oskar says in his proposals, that the tanks will also be used to store oils prior to export.

The Bunbury plant has them, tanks are included in the Adelaide proposals, and in New Zealand, Kaipara Edible Oils has them sited over 50 kilometres away adjacent to the wharves.

It appears that each refinery intends using the tanks to export.

Kaipara chairman Sir Geoffrey Roberts, says his tank installation will be used to facilitate the re-distribution of crude oils to Australia, and exports further afield of finished processed bulk oils.

On July 4 1978, West Australian Industrial Development Minister, Andrew Mensaros, said in the *South Western Times*: "Bunbury would be used as a distribution point for vegetable products imported from overseas".

He also said: Some would be used for local processing and the rest would be shipped to the Eastern states, New Zealand, Fiji, the Middle East and South-east Asia".

Industry-reaction in Australia and New Zealand has been one of surprise. Others in the industry claim that transport costs pull the scheme down. Even more unorthodox has been Oskar's plan to use the Kaipara tanks in Auckland as a re-distribution centre for crudes to Australia. Tasman shipping rates effectively make that idea uneconomic.

Oskar's proposals have the lure of sizeable exports to rich Arab nations.

In Australia, Oskar has held out the promise of vegetable oil products being marketed throughout a supermarket chain he claims to have an interest in, throughout the Middle East.

In Fiji, he talked about exporting a cosmeticised coconut oil to the Middle East (it never came off) and in New Zealand, he has told his co-directors at Kaipara that there is a possibility of exporting vegetable oils — presumably crudes trans-shipped from Auckland - to a 9000 tonne capacity refinery he says he is building in Oman, and a 19,000 tonne capacity refinery he claims to be building in Saudi Arabia.

When he first approached New Zealand in late 1977, he put forward a deal whereby tankers bringing crude vegetable oils to Auckland, would return to the Middle East carrying fresh South Island water from Deep Cove, which would be bottled and sold as a premium table product. That idea never got off the ground.

Oskar did successfully put together a deal between his New Zealand partners and Arab interests in Dubai, for the construction and management of a milk recombining plant.

The company, United Kaipara Dairies Ltd was floated with Kaipara Dairy Company Ltd taking 10 per cent, Oskar, 10 per cent and local Arabs the remaining 80 per cent. Finance was provided by the Dubai-based merchant AEI Bank and the Bank of Oman.

But Oskar has fallen out with the Arab investors over allegations by them that he added a premium on to the value of some plant which he was supplying from Britain.

The project has also been plagued by personnel problems. Prior to its coming on stream last June, the New Zealand appointed manager, Keith Cowper, quit and abruptly left for Britain before his two year contract expired.

Banking sources say Oskar is under pressure from the Arab investors to pull out, and Kaipara secretary, Rod Moyle said in a 1979 interview that his company might have to pick up Oskar's shares.

Vegetable oil refineries either built or being proposed by Oskar involve the governments of Fiji, the Republic of the Phillipines, West Australia, Saudi Arabia and the Sultanate of Oman. Oskar is presently seeking government support in South Australia.

In Australia, Oskar has sought the help of the Hon Andrew Mensaros, Minister of Industrial Development, Western Australia, and Western Australian MP Alexander Lewis, who was appointed a director of Oskar's Bunbury Foods Pty Ltd in November 1977, but resigned four months later.

In New Zealand, Oskar approached the then Attorney-General and MP for Kaipara electorate, Peter Wilkinson.

Oskar gave Wilkinson's name to the South Australian Government as a personal reference in June 1978 when he made his first approach for assistance in setting up a refinery at Adelaide.

In May 1979, Wilkinson described Oskar during an interview as an "enigma" and said "there is a large side of him we know nothing about."

Some of the influential guests Oskar flew in on a junket to attend the opening of Kaipara Edible Oils Refinery plant at Helensville near Auckland on July 20 last year included Sir Alan Westerman, chairman of the Australian Industrial Development Corporation in Canberra and Lady Westerman; Frank Ward, chief of the corporate finance department of the Bank of New South Wales, Sydney; the Hon Andrew Mensaros, Minister of Industrial Development, Western Australia; the Hon Mike Hodgeman, Federal MP from Tasmania; Eric Lindsay Bolto, a fellow director in Bunbury Foods Pty Ltd and a solicitor in the Perth firm of Stone James and Co; Ibrahim Hreish, general manager of the National Bank (Fiji) and B V Paul OBE, chairman of New Hebridean Airways.

Oskar shuns personal publicity and refuses to be photographed. He stays at top class hotels while visiting Australia, New Zealand and Fiji using fictitious names.

In Fiji, he is known locally to the business community as "the man who never casts a shadow".

Shrian Oskar ... deals based on "turnkey" concept

THC resists Bankcard overtures

by John Dreper

THE Tourist Hotel Corporation and the Flag Inns motel chain are resisting Bankcard's overtures to join its particular version of the plastic money system.

THC has already negotiated a package with Visa on behalf of the Flag Inns booking chain and it would like a similar deal with Bankcard.

Visa is only 1.75 per cent commission but Bankcard is refusing to bargain on its 4 per cent charge.

A modified package is now being considered by THC but a spokesman said "we cannot see any reason why we should join at the moment".

THC is a key client to the hotel-motel industry for Bankcard. Without it, many smaller operators are unlikely to join the system.

Mining and minerals

Abcal keeps its head in copper price spiral

Christchurch Correspondent

WATCHING the spiral of copper prices over recent months has brought pulse rates of dangerous tempo for shareholders in Associated British Cables, one of the nation's big users of the volatile metal.

That volatility was put there by commodity-conscious investors spilling over from gold and silver as the latter, first became too expensive a risk, and secondly, reacted badly to soaring interest rates in New York and London.

Abcal maintain a daily intelligence brief on the copper situation since it is so vital to their activities of general wiring and mains cable manufacturing.

Latest profit for the year to December 31 1979 was a pleasing $1.17 million, up a marginal $13,000 but much better than many shareholders expected, after climbing copper prices and a sharp drop in the mains cable business.

Export increases of 64 per cent are undoubtedly helping the company offset the domestic downturn. There is little hope of any improvement in the domestic sector.

Abcal perhaps eluded the worst of the copper speculation in its recent report since the December 31 price is around £1050 on the London Metal Exchange, and subsequently soared to a record £1376 a tonne for three months wirebar quotation during February.

The LME investors found themselves on a razor's edge when the investment shift into the metal faltered. The speculators have had a rugged time with metals plummelling as the dollar climbs on the basis of prime rates hitting 18.50 per cent in New York and there have been conflicting signals about supplies.

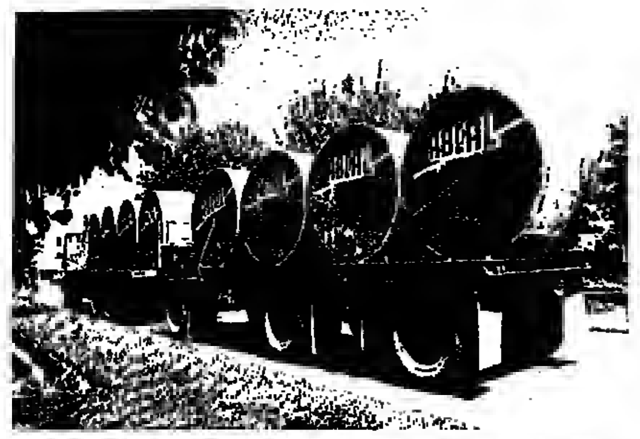
There was rumour in Australia that the Perux strikes and dwindling stocks at the LME could boost the copper price. The calmer political atmosphere in southern Africa, and talk of substantial amounts of the metal arriving at LME warehouses this month, have offset the fears.

Industrial activity too must ease under the impact of higher interest rates and will dampen consumption.

Playing a waiting game, and displaying exceptionally good nerves throughout, has been Abcal, which refuses to attempt to make windfall fortunes on the strategic metals it uses. Abcal's stance is that ultimately speculators in metals get their fingers burned pointing the head and shoulders copper path in 1975.

The same boom-bust seems underway now, with tension ensing over Afghanistan and Zaire.

Abcal does not buy from further abroad than Australia, where MIM has been trimming the copper price for days. The metal was trading at round £1017 for three months buying when MIM cut the price on March 14.



Cable manufacturers . . . keep an eagle eye on metal markets

But Abcal experiences a time lag of six weeks, from time of order to time of metal arriving in New Zealand, and it will have to shoulder the burden of some of that high-priced copper ordered earlier this year. Cash flow will, however, be less affected by copper ordered now for April-May delivery.

Abcal will face a mounting bill for purchases of its other key metal — aluminium, which has also been hit by speculation and world demand outstripping production due to the unattractiveness of smelter expansion throughout the 1970s in many countries.

At the start of the 1979 year Abcal would have been paying $1304 a tonne for aluminium from the Bluff smelter; by year's end that price was $1510.

The current year began with a speculative spree which took the world "spot" price to US$2150 a tonne. The industry here calculates its price level, not from the "spot" market, but the Alcan cif world price which has been hovering round US$1600.

The domestic price moved up at the end of February to $1610 and this should exert pressure upon Abcal and other aluminium end-users for price adjustments.

The pressure shows no sign of easing. Tight supply predictions are now being made by overseas experts such as the London-based Commodities Research Unit. Fortunately, however, the [illegible] levels of £965 ($2241) a tonne for both prompt and forward delivery has been eroding the pressure.

A wave of speculative selling in metals has affected aluminium like copper, and the LME price fell to [illegible] a tonne for three months purchase in mid-March.

That's good news, but New Zealand prices are at a discount on that erratic market anyway. And the metal is about one third more expensive than it was this time in 1979, and volatile... which is why Abcal keeps an eagle eye on the metal markets from its Riccarton headquarters.

Meat output faces cut

THE United Nations Food and Agriculture Organisation says Soviet meat production *could drop by* one million tonnes this year as a result of the American grain embargo.

The FAO's food outlook report says the Soviets face a difficult choice and the only alternative is to cut grain stocks to unacceptable levels.

Considering the risk of another poor harvest in 1980, FAO says Soviet planners can be expected to cut production and conserve their stocks.

Total world grain stocks should remain high, if the Soviet Union dies not dip into its reserves, the FAO says.

Transport

One return trip a week to Lyttelton on the cards

by Bob Stott

NEWS that the Railways are considering using a Cook Strait rail ferry on the Wellington-Lyttelton run came as something of a surprise.

Officially the Railways are "discussing the possibility" of providing a return trip a week between the two ports, to cater for passengers, accompanied cars and road freight. Rail wagons will not be carried — there is no suitable link span and other shore facilities at Lyttelton.

The Railways has built the Cook Strait operation into a profitable business, so railwaymen won't want to get involved in sailing half way down the length of the South Island if that is going to risk the profitability of the operation.

If the study shows the service could produce an acceptable financial result, a start should be made fairly soon — by next Christmas at the latest.

For the Opposition, the scheme is hardly new. Labour's last manifesto proposed a transfer of the Shipping Corporation's coastal service to the Railways, which would also run a Wellington-Lyttelton service.

The present four-ship rail ferry fleet appears to have some spare capacity. In the year to March 31 1979 the ferries carried 661,779 ordinary passengers, and 1,725,334 manifest tonnes of freight (including passengers' cars). A total of 1906 crossing were made.

In the previous year ordinary passengers totalled 690,126, manifest tonnes totalled 1,612,268 and 1945 crossings were made.

The amount of freight, including cars and the numbers of passengers has increased from 1975 to 1979. However, the 1979 total of crossings — 1906 — was below the 1976 figure of 2008 — the first full year of operating a four-ship fleet. Since that year the Aratika, the Aramoana and the Aranui have all been out of service for conversion or full refits.

It seems unlikely that the financial year just ending will show dramatic increase in ferry use.

The Railways, now has four ships, all overhauled, refitted or converted.

The service has operated satisfactorily, at least during winter months, with only three ships while vessels have been out for repair, so with four ships in full service, there's some spare capacity.

But on Cook Strait the rail ferries work less at night than during the day. Moves are afoot to cut back on night sailings in favour of more day sailings. If the Lyttelton service comprises a night trip one way and a day return it will be one way of using a ferry which might otherwise be idle after dark.

In early 1974 the operators of the Wellington-Lyttelton service said they were losing $2 million a year and the company announced its intention to withdraw from mid-1974. The Government stepped in and picked up the tab until mid-1976, at which time an annual loss of $3 million was forecast.

In the year to September 1975 the service had carried 31,639 passenger accompanied cars and 19,371 trade cars. During 1975 172,823 passengers had been carried. The rail ferries in 1974-75 carried 671,726 passengers and 132,746 passengers' cars.

The Rangatira came into its own at holiday times — in its last years the service would sail with only a few dozen passengers at less popular times, mid-week in winter, but on the days before Christmas its 800-passenger capacity provided a desirable peak service.

The time-honoured pattern of a sailing each way each night could not be sustained with one ship.

Just how viable a one-return-trip-a-week service would prove to be is anyone's guess. But if demand did build up, a need would be seen for more sailings. The Railways might not be able to offer much in the way of more trips until after delivery of the proposed fifth rail ferry.

It is certain that a service using one of the rail ferries would offer advantages in the field of operating costs, compared with the Rangatira.

The basis for fares and freight rates on the proposed service is a moot point. A starting point might be to ensure that the ferry going to Lyttelton earns as much as it would have if it had been kept on the Picton run. Prices charged would be on the basis of how many trips to Picton can be made in the time it takes to go to Lyttelton.

Or the Lyttelton rates could be set at a certain level with regard to the Picton rate, with actual costs being a secondary factor. This basis would lead to the rate for an accompanied car being made up of the present Picton rate, plus a sum equal to the cost of driving from Picton to Christchurch plus a mark-up. Passenger fares could be set to avoid diverting trade from the existing ferry-train link if that was desired — or set to achieve just that.

For commercial vehicles, presumably the 150km rule would not apply, so that a truckie starting from Wellington would not have to count the run down the coast to Lyttelton as being parallel to rail. His 150km allowance would remain intact as he drove off the ship at Lyttelton.

For most passengers a night sailing would mean no berth. The rail ferries have only a few passenger cabins.

The service would allow holiday-bound motorists, heading for destinations beyond Christchurch, to avoid the long drive down the coast.

The Lyttelton terminal, although able to handle road traffic on and off rail ferry main decks without major rebuilding of the link span, would probably not be altered to give access to the ferries' upper deck garages ... the space in which most passenger cars are carried. And of course the Lyttelton link span would not be able to handle rail wagons.

South Island people are again being asked to put their money — or rather, themselves and their freight — where their mouths are. South Island interests were given two years of Government-subsidised Rangatira because they felt the ship (which few used) was somehow essential to their well-being. They have had the benefit of a coastal freighter service (the Coastal Trader) for several years now and the service still does not do much better than an average 50 per cent load factor. Now they look like getting yet another service, not to mention the several freight subsidy and incentive schemes offered over the years.

If the present study does show a Lyttelton service could be viable, and if it is provided, and if it does not attract the expected custom then the people who feel that transport is at the root of the South Island's problems had better find some other place to lay the blame.

Computers

Viewdata interface

by Stephen Bell

IN replacing most of its 2903 range, ICL has given its users a machine with obvious evidence of a wider outlook on the information processing world, than the old-style computer range.

Most novel feature of the new ME29 models is a Viewdata interface, allowing a modified television set to be connected to the machine as a colour and graphics terminal. But it is still not clear when the first Viewdata sets will start to arrive here.

The sets to communicate with the ME29 will most likely be manufactured by Thorn Television; but neither ICL nor Thorn seems to be at all sure when this will eventuate.

A Thorn representative was scheduled to have been at the grand presentation of the ME29 earlier this month, but failed to turn up, sending word that he was otherwise engaged.

The Viewdata interface, ICL claims has, until now, only been available from machines dedicated to the medium. The ME29 will provide Viewdata alongside an impressive conventional computing capability.

From a computing point of view, the new ICL machine outdates the company's previous small business systems the 2904 and 2905 – the latter only a year old – and industry sources confidently expect a smaller version in due course, to supplant the smallest member of the series, the 2903.

The smaller of the two initially released processors, the Model 35, has a power roughly equal to the more powerful 2904 models, says ICL. The price is slightly below that of the 2904. The ME29 Model 45 gives twice this power.

In practice, though, the manufacturer claims, the work throughput of the machines can be up to five times that of the previous generation, largely because of faster data handling.

Unlike IBM's System/38, for which it is a close rival, the new ICL range is not a complete break with the old. The machine as it appears at present is similar to the 2903 and 2904, and the operating system is based on the 2903 executive. ICL is obviously aiming to make the transition smooth, and with a user interface based on easy-to-use selection "menus", it is also being pitched at the customer taking on his first computer.

Beyond its current extensively microcoded architecture, however, the machine is "soft"; it has the potential with microcode adjustments to present a very different appearance, for example, something like the higher models in the 2900 series.

Some suspect, indeed, that the eccentrically named ME29 models 35 and 45 already have their destinies as the 2935 and 2945 mapped out.

Some such microcode change was expected of the 2903 machines; indeed, the 2905 seemed to be the beginning of this bridge. But obviously, as ICL puts it, "time does not stand still".

The company would like us to think that it has been driven the way it has by user needs, but obviously competitive pressure is a big factor. The revolution in processing power which began with IBM's 4300 has already led manufacturers to recast their ranges. With ICL this has been particularly obvious in the entry of new models with irregular numberings, confusing what was originally a tidy arrangement.

Clearly some further rationalistion in designations, power ratings and pricings of ICL machines can be expected, to present, once again, a reasonably uniform face for the 2900 series.

The ME29s are particularly communications oriented, with a new operating system, TME, biased heavily towards transaction use. Communications with other machines, both ICL's own and rivals' are provided, with support for IBM 2780/3780, SDLC and X-25 protocols included in the initial release.

The new machines also run the Wordskil/Manager package, allowing the recently released 7700 word processing machine to be connected in large numbers.

Then, of course, there is the Viewdata interface – when it arrives.

Micro tools macro pains

ONE of data processing's international figures has placed a firm restraining hand on business people tempted to expect too much of the "microprocessor revolution".

Herb Grosch, former chairman of the Association for Computing Machinery in the United States, was speaking earlier this month to the conference of the New Zealand Society of Accountants, in Rotorua. He set the tone of his address with the title "Microelectronics and Macroprocessing".

"We have micro tools; we have macro problems," he said.

Beginning with the hardware technology, he dashed the hopes of those who expect microcircuits to go on getting smaller virtually for ever. By about the mid-1980s, he suggested, miniaturisation would reach an absolute limit, imposed by the velocity of light, heat dissipation, and damage to delicate circuitry by natural radioactivity.

The mushrooming community of companies producing "micro-chips" would likewise, not only reach a limit, but even go into a decline.

The days of surviving on chip manufacture alone, he suggested, were past. The recipe for survival was either to combine chip manufacture with assembly of processors, in the mould of IBM, or to preserve interests totally outside the computer field, as has Exxon.

Rather than hoping for continued improvement of chips, Grosch urged that future speeding of processing would be by devising new architectures with an increased ability to perform operations in parallel.

Even more of a "macro problem" he predicted, would be the development of increasingly complex programs for the machines. Much hope for improvement in programming productivity was being placed in "structured programming" and other such formalised development aids, but at the very least, he said, the productivity improvement would only compensate for the increasing complexity.

Not until we developed "almost sentient" computers capable of organising their own programs would there be a noticeable improvement.

Data communications promised considerable improvement in the 1980s, with expansion of satellite transmission and the increased information carrying capacity of fibre-optic lines.

"What keeps us from communicating", he warned, "is not technology, but governments", and particularly post and telephone authorities. "Watch your telephone people", he warned; "they'll slow you down if they can".

Gordon Hogg, of the Databank, replying to Grosch contended that our Post Office, far from suffering from lack of vision, might actually be rushing things too fast with the development of the Oasis network now followed swiftly by plans to move to packet switching.

He and Dick Ryan of the Commission for the Future took a rather more optimistic view of the future; on the hardware front, Hogg referred back to the Intel representative who had said chip manufacturers would never go beyond the 4-bit word; we were now, he reminded the audience, into 32-bit micros. With regard to software, he expressed more hope than Grosch in the solution through "improved programming methodologies, more training or computer-generated software".

Ryan pushed the commission's "Question of Scale" barrow, arguing that computer developments had been "deformed into producing massive centralised number crunchers" to cope with the "dominant technologies and organisational forms" of the past.

Auckland accommodation hurdle to growth

by Gordon McLauchlan

On the one hand, Auckland has an acute shortage of hotel accommodation that is costing the country millions by discouraging tourist growth. On the other, it has no shortage at all.

Major international airlines make the first claim.

Existing hoteliers provide the denial.

Air New Zealand and Pan American World Airways have jointly and separately been saying for years that because Auckland is the major gateway city for overseas tourists, the lack of readily available accommodation of the right sort, specially for groups, is costing the country dearly and is one of the many reasons for the downturn in tourism here.

Air New Zealand is prepared to put a price on the room shortage. It claims it will lose $19 million in international revenue in 1982 unless 800 more hotel rooms are provided in Auckland.

Those figures were released in Auckland a few days after Vacation Hotels Ltd chairman T J Sheffield had denied stoutly in his annual report that there was an accommodation bottleneck in Auckland.

"In the past, substantially fewer rooms in Auckland have handled a far higher volume of tourist traffic to other parts of New Zealand than is coming here at the present time," Sheffield said.

The number of rooms had increased, anyway, over the past 12 months, he said. And projects already planned would add substantially to the accommodation available.

There was no acute shortage now and none was anticipated over the next few years.

He said his company had had little experience of the need to refuse worthwhile business because there were no rooms available in Auckland.

Sheffield's claim that the accommodation position is easier than previously must be balanced against the fact that his company is building a 90-room extension to Vacation Logan Park, en route between Auckland City and the International Airport at Mangere.

Motel operators have repeatedly claimed that city accommodation is adequate. But airlines and some inbound tour operators say fragmented accommodation of this type is not what is required for tourists from overseas, many of whom feel more at ease in large hotels of the sort they are used to.

The number of motel rooms is steadily increasing with some of them – such as the modern Rosebank Motel in Parnell – reaching the kind of standard that would be acceptable to many visitors.

And one sizeable hotel has opened in Auckland recently – the six-storey, 110-room Town House, sited not far from the Hotel Intercontinental.

It opened last November with almost no publicity and has kept up a policy of no advertising, apparently able to depend on the spill-over from other hotels as they fill up.

A staff member said the start was slow but business picked up suddenly in February and is growing daily towards a high occupancy rate. The tariff is $55 a day single.

Almost every month there are newspaper stories about new hotel projects being planned for the city. The most positive is the Airport Oaks, a 254-room low-rise complex with conference and shopping facilities, about 3.5 kilometres from the International Airport at Mangere.

The $14.5 million capital comes from the Government Life Insurance Office, and management will be provided by the Travelodge chain. Work will start this month and plans provide for completion late next year or very early in 1982.

That one is firm. Also mooted, but at an early stage of negotiation yet, is a $13.5 million, 240-room project called the Airport Park, with a proposed site less than one kilometre from the Airport Oaks. A franchise has reportedly been arranged with an American chain.

Negotiations are well on the way for two high-rise projects in the city area:

- An Auckland Sheraton on a proposed site at the top of Symond Street, near Grafton Bridge. Involved in the deal are the principals of the Devon Motor Lodge in New Plymouth and the management of the Japanese-owned American Sheraton chain.
- A hotel to replace the Great Northern which closed a year ago. A number of interests, including Travelodge and the American Hilton chain, have expressed interest in a major project on the AMP-owned site opposite the Lion Brewery-owned South Pacific Hotel, certainly the most quickly successful new hotel operation in Auckland in modern times. With the commercial weight of Queen Street moving down Queen Street towards the Aotea Square development and with Trillo's restaurant and convention centre a block away, the Great Northern site is regarded as a prime one.

The fact that major hotel operators get through feasibility studies to a decision to proceed backs up what the airlines and other sectors of the tourist industry know – that there is a recurring room shortage in Auckland now serious at peak times, and that the lead time on construction is so long in this country that this shortage impedes tourism planning and growth.

The denial by existing operators is an attempt to keep occupancy levels high without the need to compete by promoting.

In traditional New Zealand style, the Airport Oaks principals – with the building not yet started – lodged an objection to the Airport Park plan which is before the Manukau City Council for approval. The operators of both existing airport hotels, Airport Inn and the Gateway Lodge, have also objected.

The major impediment in the construction of new hotels following feasibility, is the amassing of the enormous amounts of capital required.

American chains such as Sheraton and Hilton are interested mainly in management contracts, offering the attraction of the substantial business which comes with joining a world-wide franchise. But they are seldom interested in providing capital.

New Zealand's two major brewery chains have said they are not interested in putting up the $20 million-plus needed for major hotel projects in the city area. The return on capital is slow and adopting the accepted formula of relating room rates to capital per square foot, tariffs would be $80 a night or more.

It is acknowledged by financial observers that getting the capital for large hotel projects is difficult because there are just so many ways of getting a better and faster return on the amounts required, even with the Government's special depreciation conditions.

Town House, the Airport Oaks and the 90-room extension on to Vacation Logan Park will have some impact on the accommodation scene in Auckland over the next two years, and the right kind of development on the Great Northern site, with shopping arcades built in, is starting to attract strong investment interest, but the chances of Air New Zealand getting its 800 rooms by 1982 are remote – if not non-existent considering the lead time required.

The problem, in essence, is this: An accommodation bottleneck at gateway Auckland is retarding tourism growth while the tourist plant in South Island resorts is

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Tasmanian casino: fair bet as a model for NZ?

ONE thing that New Zealand's would-be casino operators have got going for them is the successful casino operation in Hobart.

Since it was opened in 1973, the Wrest Poiot casino has won plaudits for the efficiency of its operation, the integrity of its security, its moral "cleanliness", and the benefits which it has brought to the Tasmanian tourist industry.

When tourist industry spokesman in New Zealand talk of the desirability of casinoes in New Zealand, they are thinking about Wrest Point.

Certainly Wrest Point can mount an impressive case for having revitalised Tasmania's flagging tourist industry, but it may be too much to ask of any New Zealand casino to do the same.

Most Wrest Point visitors are Australians, flying across from the mainland for a few days' break, or driving around the island with a call at Wrest Point on the way.

Its ability to pull in overseas visitors in large numbers is much less well substantiated than the impressive figures brought forward about domestic tourist traffic since its opening.

A consultant's report to the Federal Hotels, the owners of Wrest Point, says that "prior to the establishment of the complex, Tasmania's tourist industry had undergone a period of stagnation, and the ramifications of that situation were being felt throughout the transport and service industries."

The same report quotes TAA's former Tasmanian manager Spencer Logue: "Airline patronage had fallen by 5 per cent and there was a real possibility of services being cut. However within a month of the Hotel-Casino opening, the figures improved. Arrivals for Hobart immediately rose 27 per cent. The increase for Launceston was 16 per cent."

In fact, according to the Tasmanian Department of Tourism's figures, tourist arrivals were only 10 per cent up five years after the opening of the casino. The statistics also show that the most spectacular growth took place in 1973/4 — the first year the casino was open — and that growth after that was steady rather than rapid, and included one year when tourist arrivals actually dropped.

A 40 per cent increase in Australian domestic air fares in 1975, the collapse of the Derwent river bridge and industrial disputes involving the airlines are blamed for the slow growth by the casino's admirers.

But Tasmania's Tourism Minister Michael Barnard has no doubts about the benefits Wrest Point has brought. He calls it the "driving force for expansion in the tourist industry".

"It has had a more dramatic effect on the community than any other single thing in Tasmania. The complex brought to Tasmania a new dimension in advertising and publicity, resulting in increased revenue and employment."

How much of the benefits result from the novelty value of a casino — Australia's first legal casino — and how much result from the professional marketing attitude of Federal Hotels is difficult to determine.

The same argument applies to the facilities at Wrest Point itself. Apart from the casino, Wrest Point offers a luxury first-class international-standard hotel, complete with revolving restaurant, a 350-seat cabaret room, and an 800-seat convention centre.

It is now the state's biggest and best hotel and convention centre, which by itself presumably would have been a useful addition to Tasmanian tourism.

So, how necessary is the casino to the success of the venture?

Does this country have to be plunged into a deep moral and political argument over the benefits and disadvantages of a casino to modernise attitudes towards tourism?

New Zealand casino advocates, centred around a Christchurch group of entrepreneurs, are hanging their hats on the idea of a casino as a regional development project.

Their proposal, which was put to the politicians in early March, emphasises the stagnation of the South Island, particularly Christchurch, as an employment centre and the potential for growth through the casino.

Like the rest of the country the Cabinet is likely to be divided over the desirability of a casino.

Internal Affairs Minister Allan Highet is flatly opposed, but Tourism Minister Warren Cooper is open in his approval and warm in his praise of Wrest Point.

"I certainly would not stand in the way of their introduction if people want them now," Cooper said after visiting Wrest Point. "I have seen no Mafia, or pimps, prostitutes, or the underground work here."

NBR has reported that operator executives of Wrest Point, Federal Hotels, have expressed no great interest in setting up in New Zealand. Managing director John Haddad confirmed this again while visiting Wellington early March.

The other likely contender would be Lion Breweries. The company expressed interest in casino development during an exploratory visit by a Federal Hotels team back in 1973.

A spokesman told *NBR* that Lion was obviously interested in any casino development "but not yet". The time was not yet ripe, according to Lion.

"We have no proposal before us, nor has the company even looked at casinos specifically in recent times."

One advantage about Federal Pacific is the company's proven track record and political acceptability — at least in Australia. That factor could help persuade wavering community leaders.

But the Government's likely attitude will be against casino development.

A National Travel Association spokesman admitted the problems, "but we have to start somewhere" he said.

"Highet retires next year, and Comber is likely to get the job. With a new minister, it's a whole new ball game."

In fewer than six years, Wrest Point hosted 637 conventions, bringing in more than 114,000 guests to the hotel. In all, 667,000 guests have stayed at Wrest Point, bringing more than $66 million into the state.

The casino paid more than $11 million to the state government in tax from its gambling tables. That's a useful addition to state revenue but at less than $2 million per year the sum is hardly big enough to be a major consideration for a New Zealand Government contemplating a mini-Las Vegas on the Canterbury Plains.

Places where Hilton and McDonalds not seen

by Lindsey Dawson

THE world-wide boom in travel means that some travellers are finding the beaten track positively thrashed. No matter where they go, the rest of the world seems to have beaten them to it.

But there are still romantic, exciting and far-flung destinations available for those with time and money to spare — places where Hilton hotels and McDonald hamburgers have never been heard of.

How about, for instance, a little paddle up the Amazon River? You can fly from Lima in Peru, over the Andes to Iquitos, and barge up the river from there, staying overnight in a mosquito net-shrouded lodge deep in the jungle and meeting primitive tribespeople.

Or what about a gentle 15-day sail up the Nile in an Egyptian felucca?

Maybe you prefer to stay on dry land. Well, there's hiking in the South African mountains, camping at Macchu Picchu, skiing under the midnight sun in the far north of Scandinavia, and even skiing in Hawaii — on the odd occasion when enough snow falls high on the "big island."

Which proves that even the most ordinary of destinations can still offer adventure. A good travel agent can find something for every thrill-seeker, whether it be an elderly socialite who wishes to sample the delights of Ascot, Wimbledon and Henley at the height of "the season" in England, or a teenager planning a trans-African expedition.

People are taking off on fantastic journeys in increasing numbers, so much so that there's not much that's "off-beat" any more, according to Erin Mapperson, of Parnell Travel.

"But the world's still a big place, and I'm constantly amazed at the variety of trips to do. Young people, specially, are looking for different experiences, and don't mind paying for them," he said.

Many of the unusual destinations are expensive, with youth being a necessary requirement. Some of the more strenuous trekking-type holidays are only for fit people between about 18 and 35, so it pays to check out age restrictions before getting excited about the prospect of trucking through Burma or crossing the Sahara.

But if you're hankering for a little high adventure — here are some ideas to bring out the wanderlust in you.

South America: New Zealanders are beginning to discover the other half of the Americas, both as a "different" way to get to Europe and as a destination in itself. There are direct connections through Tahiti, and excursion fares available from the United States.

Round-trip fares from Auckland to Lima and return are about $2200.

The barge trip up the Amazon is about $200 ex-Lima. Erich von Daniken fans can take an unusual one-day trip out of Lima to view the strange markings on the plains of Nazca for about $190.

The ancient Inca ruins of Macchu Picchu are a top tourist destination. But those who want to do it differently scorn the usual tourist amenities to take the local train out of Cuzco, and then back-pack up to the site and camp overnight to wake in time to see the sun rise over the fabled ruins.

Africa: Like South America, Africa is expensive to visit on its own, but viable as a stop-over on the way to Europe.

If you've got 17 weeks and some $2000 to spare, you can truck right through the continent from Johannesburg to the Mediterranean, experiencing Africa's huge range of contrasts from steamy jungle to arid desert. No luxury tour this one, but undoubtedly a trip of a lifetime.

Overland to Europe: This has become a well-worn path, but still a great adventure. The overland tours continue despite political tension. Trekking companies avoid Afghanistan these days, but still trail through Pakistan and southern Iran.

Trans-Asia expeditions vary in time and cost, but a three-month trip between here and London will put you back about $2000.

There are any number of exciting trips by coach, truck, boat or foot throughout Europe and Asia. Some of the more unusual: A 21-day camping tour through Jordan, Syria and Iraq ($813 ex-London), 15 days sailing on the Nile in a felucca, a traditional Egyptian sailing boat ($600 for the round trip from London), two weeks of touring by mountain bus around Iceland's volcanoes, hot springs and glaciers ($670 ex-London), 18 days of trekking in Thailand, including seven days in dense jungle and building your own bamboo raft for the journey down-river through tobacco fields and rice paddies (about $800 for the round trip from Bangkok), or 18 days in Kashmir, living in a traditional houseboat in the capital of Srinagar and camping in the mountain town of Ladakh (about $800 for the round trip from Delhi).

Train trips: You can't beat good old-fashioned trains for romance and adventure. There's the China-Soviet Express, a route which will cost you $4049 for the whole package from Auckland to London. You travel to Peking, then across the Gobi Desert to the capital of Mongolia, followed by Siberia and the Ural Ranges to Moscow, Leningrad, Stockholm, Copenhagen and London. Less well-known is the Samarkand express tour, which takes you from Singapore to Moscow on a variety of trains through India and Central Asia.

Highlights are the Taj Mahal, Tashkent, Samarkand, Baku and the ancient Soviet city of Tbilisi. The fare Auckland-London is $2986.

And at about the same price is the trip known for years as one of the world's great adventures — the Trans-Siberian Express. Kiwis jet first to Japan, then cruise over to Russia, where they board the train for the ride across the Soviet Union and Finland.

Those who have done the trip say that food is limited on the express, but you're okay if you like tea — samovars in each carriage dispense an endless supply.

China: The worlds' oldest existing civilisation may have opened its doors to us by a small crack, but getting there is still quite a performance.

You must go on a group tour and itineraries have to be approved in advance by the Chinese authorities. A three-week, Auckland to Auckland tour is $3200.

But you don't have to go halfway round the world to find adventure. There are Australian outback tours, or you can go on safari right here at home, getting into the New Zealand hinterland by four-wheel drive or helicopter, and being taken from there by experienced guides. Finding an off-beat holiday is only as difficult as walking into a travel agent's office.

Naw Zealand hintarland . . . an off-baat holiday

Cooper links tourism with regional portfolio

by Colin James

WHILE the Cabinet is dazzling us with visions of microprocessors replacing faulty humans in the workplace and energy-based capital intensive industries, Warren Cooper thinks he is on to something that will put the surplus labour of the 1980s to work.

Cooper is Minister of Tourism and Minister of Regional Development (critics, wanting smokestacks in every small town, say "regional undevelopment").

A former mayor of Queenstown, perhaps the most "touristic" town in the country, Cooper sees the two portfolios as complementary.

"Tourism in the past has, and in the future is going to, usually create activity that is away from the cities," he said in an interview.

"The scenic areas, the activity areas are going to be the Bay of Islands, Rotorua, West Coast, the Southern Lakes area, Fiordland, Nelson."

And employment — "Five to 10 years ago people were saying, "let's get out of these labour-intensive industries". We had a full employment situation.

"Now we're looking at microprocessing and people are talking about vast unemployment.

"Therefore it's important that we pay some attention to the development of employment for young people.

"Tourism could be one of the best aspects of that. It is very labour-intensive."

Does that mean this once proud and noble race of equals is going to learn to be ever-so-'umble waiters upon the rich?

Not at all. "I think we have got rid of that hangup that it is a service to people and we shouldn't humble ourselves," Cooper said.

"Many young people are going out of even higher education, to seek jobs where they are going to be the food and beverage part of hotel management, and they will have a fairly good future."

In the course of a wide-ranging interview, Cooper, the Cabinet's strongest advocate of private enterprise, made a number of points, including:

- His confidence that the hotel room targets will be met;
- The need for South Pacific regional tourist promotion;
- The desirability of getting private enterprise to take over as many tourist functions, now performed by the State, as possible.

Cooper acknowledges the difficulties facing New Zealand in attracting tourists from overseas, particularly our geographical isolation.

But, he added, the past year had been reasonably good even though conditions had been made difficult by energy price increases and problems of availability, the grounding of the DC10s and the encouragement low-cost air fares gave to people, particulerly in Australia, to elsewhere than to New Zealand.

If the energy question could be settled and "if they get some sense into the Australian aviation policy", then New Zealand appeared to have a secure base for the future.

But, it would not come easily. As New Zealand geared up for increased tourism, other new destinations — such as China, aiming to take 3 million visitors — were coming on to the market.

There would have to be a profit in the development of tourist plant, which was a decision for the private sector to make.

NBR: There seems to have been almost a standstill in building hotels. Are you confident the Tourist Advisory Council targets (2675 additional rooms between 1977-78 and 1982-83) can be met?

Cooper: Yes, very confident. Right now if we looked at what is going on in Auckland we would see that there had been, say, 350 to 400 rooms add-on to existing plant or smaller establishments being brought on-stream in the last two years.

If on top of that you add the Airport Oaks, at 250 rooms, which is expected to be open by November 1981, a good, quick building time, and the possibility that either AMP on the Customhouse side or Sheraton on the Symonds Street side may say go in the next month or few months, you can see that we are not going to be behind in Auckland.

If Auckland's coming through reasonably well, and I am satisfied that the first break has been made there, Rotorua will follow.

NBR: Do you not see the cost of building hotel rooms as a constraint. Figures are quoted of \$100,000 to \$120,000 a room . . .

Cooper: No. There's a lot of exaggeration and distortions on that. It depends where they build them and what they put into them.

I have made a thorough checkup on the cost of building a hotel room in New Zealand and one being built in Australia. The costs are comparable.

The labour costs in Australia for running that hotel are higher. We should be able to compete successfully with Australia, if we are looking at, say, a potential North American visitor.

One of my major concerns, of course, is in the South Island. They have the plant there and are able to take a good increase in occupancy.

We have got to take more people into Auckland, out through Christchurch or vice-versa.

The main thing we have got to do then is probably get Australia, new Zealand and any South Pacific country to join together in a multi-destination market promotion.

We are cutting off our noses to spite our face right now, because we are going at it individually.

NBR: What initiatives are you taking to bring that sort of cooperation about?

Cooper: I have spoken to the Australien officials about it when I was over there for the TANZ conference in Hobart. And in late May or June I hope to see the Australian Minister of Tourism and the Australian federal ministers to try and get this thing together.

It appears to me it is quite pointless that we don't recognise interlinking of airlines, a complementary package in promotion into North America and, of course, Europe, suggesting that people go to the South Pacific and incorporating those countries that I have mentioned. This is essential.

NBR: It's often a complaint of foreign visitors, isn't it, echoed by many New Zealanders, that when you go somewhere in New Zealand it's all very fine to look at the mountains, but when it's dark you can't see the mountains?

Cooper: That's why I think we've got to stress the need for activities.

If we are going to get a new wave of enthusiasm for activities in New Zealand we will have to look at the area of shopping hours because people like to shop.

We will probably have to look at the question of whether or not in the future we are going to have gambling facilities that they get in other countries.

We're certainly going to have to look at much more activity-based tourist projects. People are going to want to feel the thrill of going on a jet trip, raft trip, a ski trip, a fishing expedition.

NBR: When you say, "we", to what extent does that mean, "we the Government" and to what extent do you expect private enterprise to be that "we"?

Cooper: I think that private enterprise has been leaning on the Government in the tourist industry for far too long.

From my experience of the entrepreneurial people, from the major companies in the tourist industry down to the smaller operators, if they find they can't continue to lean on the Government, they will move together more, and with the incentives we've got in the 1979 Budget, they will use them.

"I'm not at all sure that any escalation of, say, Tourist and Publicity Department activities, which include the publicity studios and the National Film Unit, are necessary. I would think a de-escalation would be more beneficial.

Where we've got to have a particularly strong presence is in the offshore activity. Until our policies come through strongly in that area so that the private sector can get into America and Japan, West Germany and the United Kingdom to establish strong agencies with market penetration, advertising and promotion, we're probably going to have to hang in there and increase our presence offshore.

National Travel Association promotion . . . getting Kiwis to see New Zealand

NBR: What, then, do you see the future of the Government Tourist Bureaus, which some reports suggest you are considering selling off to private enterprise, and the Tourist Hotel Corporation?

Cooper: I've only got personal opinions on that.

The Government's talking about restructuring the private sector. And if it's fair that there should be restructuring by Government policy in the private sector, it appears quite clear, too, that on behalf of the taxpayer we should be restructuring the public sector.

Therefore, where an activity that can be carried out by the private sector but is duplicated by public sector activity comes under analysis, it might be fair to say that I would be keen to see that the private sector took over what I consider to be their role — commercial activities.

NBR: There's no policy on this yet?

Cooper: No, no. What we've stated to the THC is that we don't want them to develop activities in the main cities. The private sector can do that.

NBR: Tourism is a two-way affair. The outflows have exceeded the inflows. Do you consider that part of your portfolio, to be concerned about the outflows as well as the inflows.

Cooper: Yes I do. Probably more so than I should because I look at those dollars that go to other countries out of our invisibles that we've earned through our exports, and I think how can we get those dollars spent in New Zealand.

Though, when I look at the figures historically I see that in 1962 and in 1967 we were in a much worse position in regard to the ratio of expenditure against receipts.

I've been asking the travel agents — we ae in the middle of a dialogue right now — to consider spending a much larger amount of time exposing their clients to the things that are in New Zealand.

The National Travel Association promotion thrust for 1980 is aimed at getting Kiwis to see New Zealand first, and it looks quite promising.

There's no way in the world that the Government can turn round and say, "Look, your're spending too much money, you're not allowed to go overseas."

So what we have got to do is make sure that within New Zealand there are incentive schemes for them to travel.

The recent announcements by Mount Cook Airlines and Air New Zealand — that standby passengers will get 50 per cent reductions, that on other flights they will get 30 per cent — some of the initiatives look good.

They will be very helpful, but they've got to be met, I think, by a positive response by plant operators in accommodation and surface transport and trip operators who are also prepared to give discounts.

Tourist companies: breweries a vital section

by Peter V O'Brien

THE "tourism" section of the sharemarket is usually described as Midlond Coachlines, the Mount Cook Group, and — until its acquisition by UEB — Trans Holdings.

Those companies cater for only part of the tourist industry. Dominion and Lion Breweries provide tourists with accommodation, meals, and beverages. They control more hotels than aoy other combination of companies in the country, and are a vital section of the tourist Industry.

Vacation Hotels is a hotel operator, catering to the domestic and overseas tourist, and Ballins Industries and L D Nathan also have hotel interests.

TNL Holdings had 23 per cent of total assets invested in "passengers and tourist" at June 30 1979, principally in the Newmans group of subsidiaries. TNL bought Motor Holidays (NZ) Ltd in 1977, to give the Nelson group an investment in the growing market for caravan holidays.

The State is directly involved in a private-sector company through the Air New Zealand shareholding in Mount Cook Group Ltd.

The list of companies involved in tourism could be extended to those groups which provide services to the industry as part of their overall corporate structure, but detailed consideration of their activities here is impractical.

The Breweries

Dominion and Lion Breweries are the largest suppliers of accommodation, either directly or in joint or associate ventures with other organisations.

Their main function is the brewing and selling of beer, activities which are regulated at all stages of production, distribution and sale. Therefore investment in a brewery has to take the major activity into account.

Brewery involvement in accommodation goes back to the days when an innkeeper was obliged to provide for travellers' lodging needs, as well as their need for food and drink.

Amendments to the licensing laws allow breweries to build taverns, or to convert existing premises into those facilities. In recent years the breweries developed the casual food side of their tavern and hotel business, with less emphasis on constructing new accommodation facilities, apart from upgrading existing hotels.

Breweries are unlikely to build new accommodation hotels in the foreseeable future, given the high construction cost, long payback period, and the opportunity cost of investing in other activities.

Significantly, the most experienced operators of residential hotels have virtually given away new investment (apart from upgrading present facilities). That fact should make potential operators of tourist-class hotels pause in their elaborate plans.

Last week Dominion Breweries had a dividend yield of 9.8 per cent, while Lion's was 10.9 per cent. The difference in yields appears to relate (among other things) to Dominion's higher tax-free element.

After allowance for extraordinary items, the companies' half-year results failed to show any major improvement on the previous year. Dominion Breweries figures were almost the same as in 1978. Lion moved up 14.5 per cent.

Midland Coachlines

Midlands' own description of the company is: "Primarily a supplier of ground transportation for the tourist industry and the New Zealand domestic market."

The definition encompasses about 90 passenger coaches, 48 of them based in Christchurch and Dunedin. The rest operate in the North Island, mainly under the "Gray Line" logo.

The group runs more than 1900 rental cars in the Hertz franchise. Midland owns about 1400, according to the 1979 annual report, while licensees operate the other 500 or so.

The coach division has activities in regular service "urban passenger transport", a difficult business, but its main interests are domestic and overseas tourism.

The rental fleet is a logical adjunct to coach services, although New Zealand is a high-cost country for rental cars, because of the tight depreciation allowances on vehicles.

Midland owns two-thirds of Castle Services, which is engaged in courier and express parcel services throughout the country, using more than 80 vehicles.

Other interests include panel and coachworks in Auckland and Christchurch, 25 per cent of Atlantic and Pacific Travel, and 30.5 per cent of Cross Country Rentals, a company based in Hamilton which supplies four-wheel drive rental vehicles. The group is also involved in rental camper vans, a business similar to TNL's caravan holidays.

The 1979-80 half-year report was unavailable last week. Before accounting for extraordinary items, net profit in 1979 was $585,156 compared with $469,288 in the previous year.

Returns on capital and shareholder investment were 29c a $1 share, and 9.1 per cent on shareholders' funds.

Last week the shares yielded 8.2 per cent, from the dividend of 12c a share, all of which was tax free in shareholders' hands. effective yield is the considerably higher, de[pend]ing on an investor's [marginal] tax rate.

Mount Cook Group

Mount Cook Group [is in]volved in airlines, [...] port, road freight, vehicle dealing, travel and tours, aerial [...] and the Coronet Peak [...]. The company owns [...] of Travelodge NZ, [...] hotel interest.

The 1979 annual [report] shows that 43.3 per [cent of] revenue came from [...] per cent from "[...]" (coaches), 11.9 per cent [...] freightlines, 6.8 per [cent] dealership, 9.4 per cent [...] offices and tour [...] and 2.6 per cent [from the] skifield.

Total revenue [...] million, and net profit [...] extraordinary items [...] $1 million for the [...] ($738,118 in 1978). The [...] earned 25c a share [...] substantially increased [...] for 3 bonus during [...] and paid a dividend of [...] a share, which was [...] 2.27 times.

The tax-free element [...] dividend was 6c. Last [...] yield was 6.5 per cent.

Mount Cook's [...] figures are no guide [...] 12 months. In the [...] to November 30, pr[ofit ...] above the previous p[eriod ...] $44,000. Since 1979 [...] was $1,015,000, little [...] from projecting [...] figures.

TNL Group

TNL's Newmans su[bsidia]ries are among the l[argest] passenger and tour com[panies] in the tourist indus[try ...] figures quoted earlier [...] revenue and asset inve[stment] as at June 30 1979 [...] Newmans a sizeable [...] company in its own right.

This section of TNL's [busi]ness includes rental cars [...] tor caravans, and travel [ser]vices, the last including [...] arrangement.

Last year TNL's tour a[c]tivities were extended to [in]clude an office in Los Ang[eles]

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Health hazards rife for flying travellers

By Dr David Carrick

IN the last quarter of the 20th Century, flying has become a common form of transportation. But that does not mean it is natural, however convenient and rapid it is.

Modern jets usually cruise at around 34,000 feet, which means that — because of the reduction in atmospheric pressure — cabins must be pressurised. If they were not, each passenger would have to wear an oxygen mask.

Efficient as the systems are, it is usual for there to be a degree of unevenness, usually most evident during steep ascent and descent. Anyone who has travelled in a high-speed underground train must have had sudden spells of temporary deafness, and "popping" in the ears. A similar but more serious condition can arise during air travel.

The cause is sudden pressure changes catching one of the body's safety valves — the Eustachian tubes — off guard. These tubes run from the nasopharyn to the middle-ear; their main function is to prevent damage to the eardrum.

When one has a cold or catarrh, these tubes become narrower and inefficient.

If a person in this state is subjected to marked pressure changes in the aircraft, the tubes may become blocked and this could cause considerable pain, deafness and, if the infection and pressure change is severe, actual rupture of the drums.

Dizziness and vomiting may result if the organs of balance are interfered with. Therefore, people with colds or catarrh should try to avoid flying. If this is not possible a decongestant drug or old-fashioned smelling salts will help to clear the tubes.

Medical advice should be sought in any case. Indeed, this applies to any illness for which the sufferer is being treated because flying is unlikely to be beneficial, and aircrews are not keen on carrying potential emergencies.

A subject of less importance concerns the types of food to avoid before flying.

Starchy foods should not be taken for 24 hours before the flight as the gases they generate in the bowel will expand and cause abdominal pain.

Clothing for the flight should be loose-fitting and comfortable. Particular attention should be paid to shoes. Sitting for many hours in one position invariably leads to some swelling of the ankles. "Sensible" shoes, make for more comfort than elegant models that pinch at the best of times.

Passengers bound for hot or cold climates should have the foresight to plan accordingly for the temperature expected at their destination, and the intermediary stops should not be forgotten.

A number of people suffer from "aerophobia" before every flight. Mild tranquillisers can be used, but small doses of an antihistamine like Phenergan, has the double value of acting as a sedative and an anti-emetic for those fearful of air-sickness.

As a result of the low relative humidity in pressurised, air-conditioned cabins, a certain degree of dehydration is likely to occur. This, combined with a natural distaste for using lavatories when flying can lead to constipation. A mild laxative after the flight will make the following days brighter.

Intake of fluids should be increased when flying. Soft, non-fizzy citrus drinks are far preferable to alcoholic beverages which have a bad effect on rapid acclimatisation to hot climates.

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under-used — all at a time when the Government is showing increasing discomfort at the relatively slow gowth of tourism receipts compared with runaway expenditure on travel overseas by New Zealanders.

What indications are there that more visitors would come if the rooms were available?

Air New Zealand is planning to start its Japan service in November.

Given word-of mouth recommendations as New Zealand's most cost-effective form of overseas promotion — particularly in Japan where advertising rates are prohibitively high — adequate facilities and good service will be of major importance. Accommodation problems in Auckland could therefore prove a costly hurdle to tourism growth.

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and inbound tours from Japan to New Zealand and Australia.

The half-year report to December 31 1979 says the passengers, tours, and travel division "has shown an improvement over the results for the same period last year". Other activities offset that gain, with group operating profit, before profit from sales of assets and allowance for taxation, falling from $1,507,000 in 1978 to $943,000.

Last week TNL's dividend yield was 9.5 per cent, from 1979's 7c a share. The interim dividend of 3.5c (7 per cent) will be paid from realised capital profits and is free of tax in shareholders hands, thus raising the effective yield.

UEB Industries/Trans Holdings

UEB acquired Trans Holdings after the 1979 balance date, and therefore the current situation will remain unknown until the 1980 annual report is available.

Trans operates 18 hotels spread throughout the country, runs tours and passenger transport, and has offices overseas. The combination makes Trans the most integrated tourist company in the industry.

The Trans operation is a relatively small proportion of UEB's total investment, so it is unrealistic to classify the Auckland diversified group as a "tourist" company. It is included here to round out the general discussion.

Vacation Hotels Ltd

Vacation's preliminary report for the year to October 1979 says net profit fell from $946,677 to $699,265.

The company blames a fall in tourists from Australia for the downturn, and intends directing its efforts away from the Australian market.

The 11 per cent (5.5c a share) is tax free in shareholders, producing an effective yield higher than last week's 9.2 per cent.

The current outlook is not particularly bright in comparison with 1977-78, according to the preliminary report, but in the longer term it could improve, provided total tourist numbers to New Zealand increase in the coming years.